



February 24, 2006

ENGROSSED

HOUSE BILL No. 1001

DIGEST OF HB 1001 (Updated February 21, 2006 7:11 pm - DI 44)

Citations Affected: IC 1-1; IC 4-4; IC 5-28; IC 6-1.1; IC 6-2.3; IC 6-2.5; IC 6-3; IC 6-3.1; IC 6-3.5; IC 6-8.1; IC 6-9; IC 6-11; IC 6-12; IC 6-13; IC 6-14; IC 6-15; IC 12-13; IC 12-16; IC 12-19; IC 12-20; IC 12-29; IC 15-5; IC 16-35; IC 20-24; IC 21-2; IC 21-3; IC 27-5.1; IC 36-1; IC 36-6; IC 36-7; IC 36-9; IC 36-12; noncode.

Synopsis: Various tax matters. Permits members of the Indiana finance authority, the Indiana economic development corporation (IEDC), or a committee or subcommittee appointed by IEDC who are not physically present at a meeting to participate in the meeting under certain conditions. Specifies when a lot or tract held for sale in the ordinary course of trade or business may be reassessed for property tax purposes. Provides that a taxpayer is entitled to an enterprise zone investment deduction in a military installation designated as an enterprise zone only if the deduction is approved by the military base reuse authority board. Provides that money in a property tax reassessment fund may not be transferred to any other fund. Increases the \$35,000 standard deduction from the assessed value of homesteads by an amount based on the statewide average percentage increase in the assessed value of homesteads. Provides that certain equipment installed in an economic revitalization area or a maritime opportunity district after being used in Indiana by a person other than the tax abatement applicant is eligible for tax abatement. Provides that certain prohibitions against a political subdivision promoting a position on a petition or remonstrance concerning bonds or a lease apply after the
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Effective: Upon passage; July 1, 2005 (retroactive); January 1, 2006 (retroactive); July 1, 2006; January 1, 2007.

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(SENATE SPONSORS — KENLEY, HUME)

November 22, 2005, read first time and referred to Committee on Ways and Means.
January 17, 2006, reported—Do Pass.
January 25, 2006, read second time, amended, ordered engrossed.
January 26, 2006, engrossed. Read third time, passed. Yeas 97, nays 1.

SENATE ACTION

February 1, 2006, read first time and referred to Committee on Tax and Fiscal Policy.
February 23, 2006, amended, reported favorably — Do Pass.

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political subdivision makes a preliminary determination to issue the bonds or enter into the lease. Provides that for property taxes payable in 2006 and 2007, the county fiscal body may decide whether to authorize the credit for residential property taxes in excess of 2% of the gross assessed value of the property. For property taxes payable in 2008 and 2009, provides a credit for residential property taxes in excess of 2% of the gross assessed value of the property (without any action by the county fiscal body). For property taxes payable in 2010 and after, provides a credit for taxes in excess of 2% of the gross assessed value of all real and personal property (without any action by the county fiscal body). Provides a reduced property tax replacement credit beginning in 2007 for real property when a C corporation is liable for the property taxes. Requires the department of local government finance to prescribe a combined statement for billing property taxes and special assessments and providing information to taxpayers. Provides that an out-of-state provider is subject to the utility services tax whenever the provider furnishes utility services to an end user in Indiana for consumption in Indiana and the transaction is not otherwise exempt from taxation. Imposes a utility services use tax on a person that uses or consumes utility services received from an out-of-state provider. Provides a sales tax exemption for sales of home energy after June 30, 2006, and before July 1, 2007, to a person who acquires the energy through certain home energy assistance programs. Provides that certain persons who use, store, distribute, or consume tangible personal property in Indiana are subject to the use tax. Provides that retail merchants may not assign certain deductions from sales and use taxes. Requires corporations under certain circumstances to add back to state adjusted gross income certain deductions taken from federal income taxes for intangibles expenses and directly related intangible interest expenses. Increases, over four years, the sales factor used to apportion business income for purposes of the adjusted gross income tax. Eliminates the property factor and payroll factor that are also used in apportioning income for taxable years beginning after December 31, 2010. Requires a corporation that files combined income tax returns to petition the department of state revenue for permission to discontinue filing combined returns. Deletes the January 1, 2008, deadline for a purchase of motion picture or audio production equipment to be eligible as a qualified investment for purposes of the Hoosier business investment tax credit (HBITC). Extends by two years (from December 31, 2007, to December 31, 2009) the date by which a qualified investment must be made in order to be eligible for the HBITC. Allows Jackson County to impose a county adjusted gross income tax (CAGIT) rate of 1.1% through June 30, 2011. Allows Jasper County to adopt up to an additional 0.25% CAGIT rate for operating and maintaining certain criminal justice facilities. Repeals the current dog tax and establishes a county option dog tax. Allocates revenue from the county option dog tax revenue to the Purdue University School of Veterinary Science and to each adopting county. Increases the 2006 calendar year cap on state tuition support distributions. Increases the state fiscal year appropriation for state tuition support distributions for the state fiscal year beginning July 1, 2005, and ending June 30, 2006. Provides that a farm mutual insurance company may elect taxation under the gross premium tax instead of the adjusted gross income tax. Reorganizes property tax control laws concerning budgets, levies, tax rates, bond and lease remonstrances, and bond and lease review. Requires annual increases in local revenues formerly funded by property taxes to be funded through increases in local income taxes. Authorizes an additional tax rate of 1% that may be used to reduce property taxes in the county. Repeals the county adjusted gross income tax, county option income tax, county economic development tax, employment tax, and municipal option income tax and permits a county to impose an additional optional county income tax rate to replace the revenue lost

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from the repealed taxes. Requires the additional optional county income tax rate to be distributed and used in the same manner in which any county adjusted gross income tax, county option income tax, or county economic development tax that was imposed in the county before 2007 was distributed and used. Extends the petition and remonstrance provisions and review provisions to debt and leases financed through local income taxes. Consolidates the school property tax control board and the local government tax control board. Repeals the law establishing the county tax adjustment board. For 2006 only, establishes a June 1 deadline (instead of April 1) for a county to adopt an ordinance imposing an additional county economic development tax rate for a property tax credit to mitigate the impact of the statewide deduction of assessed value of inventory. Provides that a company that meets certain criteria may file refund claims for property tax deductions for new manufacturing equipment placed in service in an economic revitalization area. Provides a property tax exemption with respect to certain property taxes for a college fraternity that did not timely comply with filing requirements. Permits a nonprofit corporation that operates a youth soccer program to claim a refund for certain property taxes. Authorizes a property tax levy appeal to the department of local government finance by certain fire protection districts that have experienced growth.

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February 24, 2006

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1001

A BILL FOR AN ACT concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 1-1-4-7 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1,
3 2006]: **Sec. 7. A reference in the Indiana Code to controlled taxes**
4 **means a tax or tax rate that is subject to the limitations imposed**
5 **under IC 6-12. The term applies only to the following taxes:**

6 (1) **Property taxes (other than a property tax that a statute**
7 **specifically treats as excluded from the controlled tax limits**
8 **computed under IC 6-12).**

9 (2) **County income taxes imposed under IC 6-11 (other than**
10 **a part of a county income tax imposed in a county that a**
11 **statute specifically treats as excluded from the controlled tax**
12 **limits computed under IC 6-12).**

13 SECTION 2. IC 4-4-11-7.5 IS ADDED TO THE INDIANA CODE
14 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
15 UPON PASSAGE]: **Sec. 7.5. (a) This section applies to a meeting of**
16 **the authority at which at least three (3) members of the authority**
17 **are physically present at the place where the meeting is conducted.**

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(b) A member of the authority may participate in a meeting of the authority by using a means of communication that permits:

- (1) all other members participating in the meeting; and
- (2) all members of the public physically present at the place where the meeting is conducted;

to simultaneously communicate with each other during the meeting.

(c) A member who participates in a meeting under subsection (b) is considered to be present at the meeting.

(d) The memoranda of the meeting prepared under IC 5-14-1.5-4 must also state the name of each member who:

- (1) was physically present at the place where the meeting was conducted;
- (2) participated in the meeting by using a means of communication described in subsection (b); and
- (3) was absent.

Each member who participated in the meeting by using a means of communication described in subsection (b) must sign the memoranda of the meeting within sixty (60) days after the date of the meeting.

SECTION 3. IC 5-28-4-8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. (a) This section applies to:

- (1) a meeting of the board at which at least seven (7) members of the board are physically present at the place where the meeting is conducted; or
- (2) a meeting of a committee or subcommittee established by the board at which at least fifty percent (50%) of the members of the committee or subcommittee are physically present at the place where the meeting is conducted.

(b) A member of the board, committee, or subcommittee may participate in a meeting of the board, committee, or subcommittee by using a means of communication that permits:

- (1) all other members participating in the meeting; and
- (2) all members of the public physically present at the place where the meeting is conducted;

to simultaneously communicate with each other during the meeting.

(c) A member who participates in a meeting under subsection (b) is considered to be present at the meeting.

(d) The memoranda of the meeting prepared under IC 5-14-1.5-4 must also state the name of each member who:

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(1) was physically present at the place where the meeting was conducted;

(2) participated in the meeting by using a means of communication described in subsection (b); and

(3) was absent.

Each member who participated in the meeting by using a means of communication described in subsection (b) must sign the memoranda of the meeting within sixty (60) days after the date of the meeting.

SECTION 4. IC 6-1.1-4-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
Sec. 12. (a) As used in this section, "land developer" means a person that holds land for sale in the ordinary course of the person's trade or business.

(b) As used in this section, "land in inventory" means:

(1) a lot; or

(2) a tract that has not been subdivided into lots; to which a land developer holds title in the ordinary course of the land developer's trade or business.

(c) As used in this section, "title" refers to legal or equitable title, including the interest of a contract purchaser.

(d) Except as provided in subsections (h) and (i), if:

(1) land assessed on an acreage basis is subdivided into lots; the land shall be reassessed on the basis of lots; if or

(2) land is rezoned for, or put to, a different use;

the land shall be reassessed on the basis of its new classification.

(e) If improvements are added to real property, the improvements shall be assessed.

(f) An assessment or reassessment made under this section is effective on the next assessment date. However, if land assessed on an acreage basis is subdivided into lots, the lots may not be reassessed until the next assessment date following a transaction which results in a change in legal or equitable title to that lot.

(g) No petition to the department of local government finance is necessary with respect to an assessment or reassessment made under this section.

(h) Subject to subsection (i), land in inventory may not be reassessed until the next assessment date following the earliest of:

(1) the date on which title to the land is transferred by:

(A) the land developer; or

(B) a successor land developer that acquires title to the land;

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to a person that is not a land developer;

(2) the date on which construction of a structure begins on the land; or

(3) the date on which a building permit is issued for construction of a building or structure on the land.

(i) Subsection (h) applies regardless of whether the land in inventory is rezoned while a land developer holds title to the land.

SECTION 5. IC 6-1.1-4-28.5, AS AMENDED BY P.L.88-2005, SECTION 7, AND AS AMENDED BY P.L.228-2005, SECTION 10, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 28.5. (a) Money assigned to a property reassessment fund under section 27.5 of this chapter may be used only to pay the costs of:

(1) the general reassessment of real property, including the computerization of assessment records;

(2) payments to county assessors, members of property tax assessment boards of appeals, or assessing officials under IC 6-1.1-35.2;

(3) the development or updating of detailed soil survey data by the United States Department of Agriculture or its successor agency;

(4) the updating of plat books; ~~and~~

(5) payments for the salary of permanent staff or for the contractual services of temporary staff who are necessary to assist county assessors, members of a county property tax assessment board of appeals, and assessing officials;

(6) making annual adjustments under section 4.5 of this chapter; and

(7) the verification under 50 IAC 21-3-2 of sales disclosure forms forwarded to the county assessor under IC 6-1.1-5.5-3.

Money in a property tax reassessment fund may not be transferred or reassigned to any other fund, and may not be used for any purposes other than those set forth in this section.

(b) All counties shall use modern, detailed soil maps in the general reassessment of agricultural land.

(c) The county treasurer of each county shall, in accordance with IC 5-13-9, invest any money accumulated in the property reassessment fund. until the money is needed to pay general reassessment expenses. Any interest received from investment of the money shall be paid into the property reassessment fund.

(d) An appropriation under this section must be approved by the fiscal body of the county after the review and recommendation of the

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1 county assessor. However, in a county with an elected township
 2 assessor in every township, the county assessor does not review an
 3 appropriation under this section, and only the fiscal body must approve
 4 an appropriation under this section.

5 SECTION 6. IC 6-1.1-12-37 IS AMENDED TO READ AS
 6 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 37. (a) Each year
 7 a person who is entitled to receive the homestead credit provided under
 8 IC 6-1.1-20.9 for property taxes payable in the following year is
 9 entitled to a standard deduction from the assessed value of the real
 10 property, mobile home not assessed as real property, or manufactured
 11 home not assessed as real property that qualifies for the homestead
 12 credit. The auditor of the county shall record and make the deduction
 13 for the person qualifying for the deduction.

14 (b) Except as provided in section 40.5 of this chapter, the total
 15 amount of the deduction that a person may receive under this section
 16 for a particular year is the lesser of:

17 (1) one-half (1/2) of the assessed value of the real property,
 18 mobile home not assessed as real property, or manufactured home
 19 not assessed as real property; or

20 (2) for property taxes first due and payable:

21 (A) before January 1, 2007, thirty-five thousand dollars
 22 (\$35,000); and

23 (B) after December 31, 2006, the greater of:

24 (i) thirty-five thousand dollars (\$35,000); or

25 (ii) the amount determined by the department of local
 26 government finance under subsection (d).

27 (c) A person who has sold real property, a mobile home not assessed
 28 as real property, or a manufactured home not assessed as real property
 29 to another person under a contract that provides that the contract buyer
 30 is to pay the property taxes on the real property, mobile home, or
 31 manufactured home may not claim the deduction provided under this
 32 section with respect to that real property, mobile home, or
 33 manufactured home.

34 (d) The amount referred to in subsection (b)(2)(B)(ii) is the
 35 result determined by the department of local government finance
 36 under STEP FOUR of the following formula:

37 STEP ONE: Determine the statewide average assessed value
 38 (before the application of any applicable deductions under
 39 this article) of all homesteads (as defined in IC 6-1.1-20.9-1)
 40 on the assessment date for the particular year to which the
 41 deduction applies.

42 STEP TWO: Determine the statewide average assessed value

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(before the application of any applicable deductions under this article) of all homesteads (as defined in IC 6-1.1-20.9-1) on the assessment date for the year preceding the year described in STEP ONE.

STEP THREE: Divide the STEP ONE amount by the STEP TWO amount, rounded to the nearest ten-thousandth (0.0001).

STEP FOUR: Determine the product of the STEP THREE amount multiplied by:

(A) thirty-five thousand dollars (\$35,000), for property taxes first due and payable in 2007; or

(B) the amount determined under this subsection for the previous year, for property taxes first due and payable after 2007;

rounded to the nearest one dollar (\$1) amount.

Before July 1 of 2006 and each year thereafter, the county auditor of each county shall provide to the department of local government finance information concerning assessed values of homesteads in that county as required by the department in order to determine statewide average assessed values of homesteads under this subsection. If a county auditor does not provide the information required by the department under this subsection, the department may estimate the assessed values of homesteads in that county as necessary to carry out this subsection. Before August 1 of 2006 and each year thereafter, the department shall notify each county auditor of the amount determined under STEP FOUR of this subsection.

SECTION 7. IC 6-1.1-12.1-1, AS AMENDED BY P.L.216-2005, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: Sec. 1. For purposes of this chapter:

(1) "Economic revitalization area" means an area which is within the corporate limits of a city, town, or county which has become undesirable for, or impossible of, normal development and occupancy because of a lack of development, cessation of growth, deterioration of improvements or character of occupancy, age, obsolescence, substandard buildings, or other factors which have impaired values or prevent a normal development of property or use of property. The term "economic revitalization area" also includes:

(A) any area where a facility or a group of facilities that are technologically, economically, or energy obsolete are located

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and where the obsolescence may lead to a decline in employment and tax revenues; and

(B) a residentially distressed area, except as otherwise provided in this chapter.

(2) "City" means any city in this state, and "town" means any town incorporated under IC 36-5-1.

(3) "New manufacturing equipment" means ~~any~~ tangible personal property ~~which:~~ **that a deduction applicant:**

(A) ~~was installed~~ **installs** after February 28, 1983, and on or before the approval deadline determined under section 9 of this chapter, in an area that is declared an economic revitalization area after February 28, 1983, in which a deduction for tangible personal property is allowed;

(B) ~~is used~~ **uses** in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property, including but not limited to use to dispose of solid waste or hazardous waste by converting the solid waste or hazardous waste into energy or other useful products; ~~and~~

(C) ~~was acquired by its owner~~ **acquires** for use as described in clause (B); and

(D) ~~was never before used by its owner~~ for any purpose in Indiana **before the installation described in clause (A).**

However, notwithstanding any other law, the term includes tangible personal property that is used to dispose of solid waste or hazardous waste by converting the solid waste or hazardous waste into energy or other useful products and was installed after March 1, 1993, and before March 2, 1996, even if the property was installed before the area where the property is located was designated as an economic revitalization area or the statement of benefits for the property was approved by the designating body.

(4) "Property" means a building or structure, but does not include land.

(5) "Redevelopment" means the construction of new structures, in economic revitalization areas, either:

(A) on unimproved real estate; or

(B) on real estate upon which a prior existing structure is demolished to allow for a new construction.

(6) "Rehabilitation" means the remodeling, repair, or betterment of property in any manner or any enlargement or extension of property.

(7) "Designating body" means the following:

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(A) For a county that does not contain a consolidated city, the fiscal body of the county, city, or town.

(B) For a county containing a consolidated city, the metropolitan development commission.

(8) "Deduction application" means either:

(A) the application filed in accordance with section 5 of this chapter by a property owner who desires to obtain the deduction provided by section 3 of this chapter; or

(B) the application filed in accordance with section 5.4 of this chapter by a person who desires to obtain the deduction provided by section 4.5 of this chapter.

(9) "Designation application" means an application that is filed with a designating body to assist that body in making a determination about whether a particular area should be designated as an economic revitalization area.

(10) "Hazardous waste" has the meaning set forth in IC 13-11-2-99(a). The term includes waste determined to be a hazardous waste under IC 13-22-2-3(b).

(11) "Solid waste" has the meaning set forth in IC 13-11-2-205(a). However, the term does not include dead animals or any animal solid or semisolid wastes.

(12) "New research and development equipment" means tangible personal property that:

(A) ~~is installed~~ **a deduction applicant installs** after June 30, 2000, and on or before the approval deadline determined under section 9 of this chapter, in an economic revitalization area in which a deduction for tangible personal property is allowed;

(B) consists of:

- (i) laboratory equipment;
- (ii) research and development equipment;
- (iii) computers and computer software;
- (iv) telecommunications equipment; or
- (v) testing equipment;

(C) ~~is used~~ **the deduction applicant uses** in research and development activities devoted directly and exclusively to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products; ~~and~~

(D) ~~is acquired by the property owner~~ **the deduction applicant acquires** for purposes described in this subdivision; ~~and was~~

(E) ~~the deduction applicant~~ never before used by the owner

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for any purpose in Indiana **before the installation described in clause (A).**

The term does not include equipment installed in facilities used for or in connection with efficiency surveys, management studies, consumer surveys, economic surveys, advertising or promotion, or research in connection with literacy, history, or similar projects.

(13) "New logistical distribution equipment" means tangible personal property that:

(A) ~~is installed~~ **a deduction applicant installs** after June 30, 2004, and on or before the approval deadline determined under section 9 of this chapter, in an economic revitalization area in which a deduction for tangible personal property is allowed;

(B) consists of:

- (i) racking equipment;
- (ii) scanning or coding equipment;
- (iii) separators;
- (iv) conveyors;
- (v) fork lifts or lifting equipment (including "walk behinds");
- (vi) transitional moving equipment;
- (vii) packaging equipment;
- (viii) sorting and picking equipment; or
- (ix) software for technology used in logistical distribution;

(C) ~~is used~~ **the deduction applicant uses** for the storage or distribution of goods, services, or information; and

(D) ~~before being used as described in clause (C), was the deduction applicant~~ never used by its owner for any purpose in Indiana **before the installation described in clause (A).**

(14) "New information technology equipment" means tangible personal property that:

(A) ~~is installed~~ **a deduction applicant installs** after June 30, 2004, and on or before the approval deadline determined under section 9 of this chapter, in an economic revitalization area in which a deduction for tangible personal property is allowed;

(B) consists of equipment, including software, used in the fields of:

- (i) information processing;
- (ii) office automation;
- (iii) telecommunication facilities and networks;
- (iv) informatics;
- (v) network administration;

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(vi) software development; and

(vii) fiber optics; and

(C) ~~before being installed as described in clause (A); was the~~
deduction applicant never used by its owner for any purpose
 in Indiana **before the installation described in clause (A).**

**(15) "Deduction applicant" means an owner of tangible
 personal property who makes a deduction application.**

SECTION 8. IC 6-1.1-20-10 IS AMENDED TO READ AS
 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) ~~If a petition~~
~~and remonstrance process is commenced under section 3-2 of this~~
~~chapter; This section applies to a political subdivision that adopts~~
~~an ordinance or a resolution making a preliminary determination~~
~~to issue bonds or enter into a lease. During the period commencing~~
~~with the adoption of the ordinance or resolution and, if a petition~~
~~and remonstrance process is commenced under section 3.2 of this~~
~~chapter, continuing through the sixty (60) day period commencing~~
 with the notice under section 3.2(1) of this chapter, the political
 subdivision seeking to issue bonds or enter into a lease for the proposed
 controlled project may not promote a position on the petition or
 remonstrance by doing any of the following:

(1) Allowing facilities or equipment, including mail and
 messaging systems, owned by the political subdivision to be used
 for public relations purposes to promote a position on the petition
 or remonstrance, unless equal access to the facilities or equipment
 is given to persons with a position opposite to that of the political
 subdivision.

(2) Making an expenditure of money from a fund controlled by
 the political subdivision to promote a position on the petition or
 remonstrance (except as necessary to explain the project to the
 public) or to pay for the gathering of signatures on a petition or
 remonstrance. This subdivision does not prohibit a political
 subdivision from making an expenditure of money to an attorney,
 an architect, a construction manager, or a financial adviser for
 professional services provided with respect to a controlled
 project.

(3) Using an employee to promote a position on the petition or
 remonstrance during the employee's normal working hours or paid
 overtime.

(4) In the case of a school corporation, promoting a position on a
 petition or remonstrance by:

(A) using students to transport written materials to their
 residences **or in any way directly involving students in a**

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1 **school organized promotion of a position; or**

2 (B) including a statement within another communication sent
3 to the students' residences.

4 However, this section does not prohibit an employee of the political
5 subdivision from carrying out duties with respect to a petition or
6 remonstrance that are part of the normal and regular conduct of the
7 employee's office or agency.

8 (b) A person may not solicit or collect signatures for a petition or
9 remonstrance on property owned or controlled by the political
10 subdivision.

11 **(c) The staff and employees of a school corporation may not**
12 **personally identify a student as the child of a parent or guardian**
13 **who supports or opposes a petition or remonstrance.**

14 SECTION 9. IC 6-1.1-20.6-4, AS ADDED BY P.L.246-2005,
15 SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 UPON PASSAGE]: Sec. 4. As used in this chapter, "qualified
17 residential property" refers to any of the following that a county fiscal
18 body specifically makes eligible for a credit under this chapter in an
19 ordinance adopted under section 6 of this chapter **and to all of the**
20 **following for purposes of section 6.5 of this chapter:**

- 21 (1) An apartment complex.
- 22 (2) A homestead.
- 23 (3) Residential rental property.

24 SECTION 10. IC 6-1.1-20.6-6, AS ADDED BY P.L.246-2005,
25 SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
26 UPON PASSAGE]: Sec. 6. **(a) This section applies only to property**
27 **taxes first due and payable before January 1, 2008.**

28 ~~(a)~~ **(b)** A county fiscal body:

- 29 (1) may adopt an ordinance to authorize the application of the
- 30 credit under this chapter for one (1) or more calendar years to
- 31 qualified residential property in the county; and
- 32 (2) must adopt an ordinance under subdivision (1) before July 1
- 33 of a calendar year to authorize the credit under this chapter for
- 34 property taxes first due and payable in the immediately
- 35 succeeding calendar year.

36 ~~(b)~~ **(c)** An ordinance adopted under this section must specify the
37 categories of residential property listed in section 4 of this chapter that
38 are eligible for the credit provided under this chapter.

39 SECTION 11. IC 6-1.1-20.6-6.5 IS ADDED TO THE INDIANA
40 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
41 [EFFECTIVE JULY 1, 2006]: **Sec. 6.5. (a) This subsection applies**
42 **only to property taxes first due and payable after December 31,**

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2007, and before January 1, 2010. A person is entitled to a credit each calendar year under section 7(a) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property.

(b) This subsection applies only to property taxes first due and payable after December 31, 2009. A person is entitled to a credit each calendar year under section 7(b) of this chapter against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's real property and personal property.

SECTION 12. IC 6-1.1-20.6-7, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. ~~If the (a) In the case of a credit under this chapter is authorized under section 2 section 6 of this chapter or provided by section 6.5(a) of this chapter~~ for property taxes first due and payable in a calendar year:

(1) a person is entitled to a credit against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's qualified residential property located in the county; and

(2) the amount of the credit is the amount by which the person's property tax liability attributable to the person's qualified residential property for property taxes first due and payable in that calendar year exceeds two percent (2%) of the gross assessed value that is the basis for determination of property taxes on the qualified residential property for property taxes first due and payable in that calendar year.

(b) In the case of a credit provided by section 6.5(b) of this chapter for property taxes first due and payable in a calendar year:

(1) a person is entitled to a credit against the person's property tax liability for property taxes first due and payable in that calendar year attributable to the person's real property and personal property located in the county; and

(2) the amount of the credit is the amount by which the person's property tax liability attributable to the person's real property and personal property for property taxes first due and payable in that calendar year exceeds two percent (2%) of the gross assessed value that is the basis for determination of property taxes on the real property and personal property for property taxes first due and payable in that calendar year.

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SECTION 13. IC 6-1.1-20.6-8, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 8. A person is not required to file an application for the credit under this chapter. The county auditor shall:

(1) identify ~~qualified residential~~ **the** property in the county eligible for the credit under this chapter; and

(2) apply the credit under this chapter to property tax liability on the identified ~~qualified residential~~ property.

SECTION 14. IC 6-1.1-20.6-9, AS ADDED BY P.L.246-2005, SECTION 62, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. **(a) This section applies only to credits under this chapter against property taxes first due and payable before January 1, 2007.**

(b) The fiscal body of a county may adopt an ordinance to authorize the county fiscal officer to borrow money repayable over a term not to exceed five (5) years in an amount sufficient to compensate the political subdivisions located wholly or in part in the county for the reduction of property tax collections in a calendar year that results from the application of the credit under this chapter for that calendar year.

~~(b)~~ **(c)** The county fiscal officer shall distribute in a calendar year to each political subdivision located wholly or in part in the county loan proceeds under subsection ~~(a)~~ **(b)** for that calendar year in the amount by which the property tax collections of the political subdivision in that calendar year are reduced as a result of the application of the credit under this chapter for that calendar year.

~~(c)~~ **(d)** If the county fiscal officer distributes money to political subdivisions under subsection ~~(b)~~; **(c)**, the political subdivisions that receive the distributions shall repay the loan under subsection ~~(a)~~ **(b)** over the term of the loan. Each political subdivision that receives a distribution under subsection ~~(b)~~; **(c)**:

(1) shall:

(A) appropriate for each year in which the loan is to be repaid an amount sufficient to pay the part of the principal and interest on the loan attributable to the distribution received by the political subdivision under subsection ~~(b)~~; **(c)**; and

(B) raise property tax revenue in each year in which the loan is to be repaid in the amount necessary to meet the appropriation under clause (A); and

(2) other than the county, shall transfer to the county fiscal officer money dedicated under this section to repayment of the loan in time to allow the county to meet the loan repayment schedule.

~~(d)~~ **(e)** Property taxes imposed under subsection ~~(c)~~ **(1)(B)** **(d)(1)(B)**

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are subject to levy limitations under IC 6-1.1-18.5 or IC 6-1.1-19.

~~(e)~~ **(f)** The obligation to:

(1) repay; or

(2) contribute to the repayment of;

the loan under subsection ~~(a)~~ **(b)** is not a basis for a political subdivision to obtain an excessive tax levy under IC 6-1.1-18.5 or IC 6-1.1-19.

~~(f)~~ **(g)** The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

(h) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction referred to in subsection (b) for the political subdivision for that year.

SECTION 15. IC 6-1.1-20.6-9.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 9.5. (a) This section applies only to credits under this chapter against property taxes first due and payable after December 31, 2006.**

(b) The application of the credit under this chapter results in a reduction of the property tax collections of each political subdivision in which the credit is applied. A political subdivision may not increase its property tax levy to make up for that reduction.

(c) The county auditor shall in each calendar year notify each political subdivision in which the credit under this chapter is applied of the reduction of property tax collections referred to in subsection (b) for the political subdivision for that year.

(d) A political subdivision may not borrow money to compensate the political subdivision or any other political subdivision for the reduction of property tax collections referred to in subsection (b).

SECTION 16. IC 6-1.1-21-2, AS AMENDED BY P.L.1-2005, SECTION 92, AND AS AMENDED BY P.L.246-2005, SECTION 64, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means property taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges

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which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5 is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(+) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed); IC 12-2-4.5 (repealed); IC 12-19-5; or IC 12-20-24; minus

(1) the total amount of:

(A) controlled property taxes imposed in the county that does not exceed the sum of the controlled levy limits of each political subdivision in the county, as determined under IC 6-12;

(B) that part of the total amount of property taxes to be paid during the stated assessment year that will be used to pay

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for interest or principal due on debt that:

(i) is entered into ~~after December 31, 1983; before January 1, 1984;~~

(ii) is ~~not~~ debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; ~~and or~~

(iii) ~~does not constitute~~ **constitutes** debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 (*repealed*) were satisfied prior to January 1, 1984; ~~minus and~~

~~(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus~~

~~(F) the remainder of:~~

(i) ~~(C) that part of~~ the total property taxes imposed in the county for the stated assessment year **a cumulative building fund established or reestablished** under authority of IC 21-2-6 (*repealed*) or **under** any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; ~~minus (before its repeal)~~

(ii) ~~to the total extent of the amount of~~ property taxes imposed in the county **for the fund** for the 1984 stated assessment year; under the authority of IC 21-2-6 (*repealed*) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; ~~minus~~

~~(G) the amount of property taxes imposed in the county for the stated assessment year under:~~

(i) ~~IC 21-2-15~~ for a capital projects fund; plus

(ii) ~~IC 6-1.1-19-10~~ for a racial balance fund; plus

(iii) ~~IC 20-14-13 IC 36-12-12~~ for a library capital projects fund; plus

(iv) ~~IC 20-5-17.5-3 IC 36-10-13-7~~ for an art association fund; plus

(v) ~~IC 21-2-17~~ for a special education preschool fund; plus

(vi) ~~IC 21-2-11.6~~ for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in

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a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus
(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable; plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(4) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1; the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 (repealed) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995; or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995; or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995; plus

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(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid. ~~plus~~

(3) ~~the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units for the assessment year; as provided in IC 6-3.5-1.1; plus~~

(4) ~~the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus~~

(5) ~~the difference between:~~

(A) ~~the amount determined in IC 6-1.1-18.5-3(c) STEP FOUR; minus~~

(B) ~~the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).~~

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is, *except as otherwise provided by law*, equal to the sum of the following:

(1) Sixty percent (60%) of the total county tax levy imposed by each school corporation in a county for its general fund for a stated assessment year.

(2) **The result of:**

(A) twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year; **minus**

(B) **twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for which a C corporation is liable for the property taxes for a stated assessment year.**

(3) **The following percentage of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed**

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in a county on real property for which a C corporation is liable for the property taxes for a stated assessment year:

(A) For property taxes first due and payable in 2007, nineteen percent (19%).

(B) For property taxes first due and payable in 2008, eighteen percent (18%).

(C) For property taxes first due and payable in 2009, seventeen percent (17%).

(D) For property taxes first due and payable in 2010, sixteen percent (16%).

(E) For property taxes first due and payable in 2011 and thereafter, fifteen percent (15%).

(3) (4) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

- (1) held for sale in the ordinary course of a trade or business; or
- (2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means, *except as otherwise provided by law*, the sum of the following:

- (1) Sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.

(2) **The result of:**

(A) twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property; **minus**

(B) twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for which a C corporation is liable for the property taxes for a stated assessment year.

(3) The following percentage of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty

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percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for which a C corporation is liable for the property taxes for a stated assessment year:

(A) For property taxes first due and payable in 2007, nineteen percent (19%).

(B) For property taxes first due and payable in 2008, eighteen percent (18%).

(C) For property taxes first due and payable in 2009, seventeen percent (17%).

(D) For property taxes first due and payable in 2010, sixteen percent (16%).

(E) For property taxes first due and payable in 2011 and thereafter, fifteen percent (15%).

(~~3~~) (4) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

(o) "Board" refers to the property tax replacement fund board established under section 10 of this chapter.

(p) "C corporation" has the meaning set forth in Section 1361 of the Internal Revenue Code.

SECTION 17. IC 6-1.1-21-2.5, AS ADDED BY P.L.246-2005, SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2.5. (a) Annually, before the department determines the eligible property tax replacement amount for a year under section 3 of this chapter and the department of local government finance makes its certification under section 3(b) of this chapter, the budget agency shall determine the sum of the following:

(1) One billion one hundred twenty-one million seven hundred thousand dollars (\$1,121,700,000).

(2) An amount equal to the net amount of revenue, after deducting collection allowances and refunds, that the budget agency estimates will be collected in a particular calendar year from the part of the gross retail and use tax rate imposed under IC 6-2.5 equal to one percent (1%).

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The estimate made under this subsection must be consistent with the latest technical forecast of state revenues that is prepared for distribution to the general assembly and the general public and available to the budget agency at the time that the estimate is made.

(b) The department may not distribute eligible property tax replacement amounts and eligible homestead credit replacement amounts for a year under this chapter that, in the aggregate, is less than the amount computed under subsection (a).

(c) Annually, before the department determines the eligible property tax replacement amount for a year under section 3 of this chapter and the department of local government finance makes its certification under section 3(b) of this chapter, the budget agency shall determine whether the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 for a year, determined without applying subsection (b), will be less than the amount determined under subsection (b). The budget agency shall give notice of its determination to the members of the board and, in an electronic format under IC 5-14-6, the general assembly. If the budget agency determines that the amount determined under subsection (b) will not be exceeded in a particular year, the board shall increase for that year the percentages used to determine a taxpayer's property tax replacement credit amount and the homestead credit percentage applicable under IC 6-1.1-20.9-2 so that the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 at least equals the amount determined under subsection (b). In making adjustments under this subsection, the board shall increase percentages in the following order until the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b):

(1) The homestead credit percentage specified in IC 6-1.1-20.9-2 until the homestead percentage reaches the lesser of:

(A) thirty percent (30%); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b).

(2) If the amount determined under subsection (b) is not exceeded after increasing the homestead percentage under subdivision (1), the board shall increase the property tax replacement credit percentage specified in section 2(j)(1) and 2(l)(1) of this chapter

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until the property tax replacement percentage reaches the lesser of:

(A) seventy percent (70%); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

(3) If the amount determined under subsection (b) is not exceeded after making all possible increases in credit percentages under subdivisions (1) and (2), the board shall increase the property tax replacement credit percentages specified in section 2(j)(2), 2(j)(3), **2(j)4**, 2(l)(2), ~~and 2(l)(3)~~, **and 2(l)4** of this chapter to the percentage at the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

(d) The adjusted percentages set under subsection (c):

(1) are the percentages that apply under:

(A) section 5 of this chapter to determine a taxpayer's property tax replacement credit amount; and

(B) IC 6-1.1-20.9-2 to determine a taxpayer's homestead credit; and

(2) must be used by the:

(A) department in estimating the eligible property tax replacement amount under section 3 of this chapter; and

(B) department of local government finance in making its certification under section 3(b) of this chapter;

and for all other purposes under this chapter and IC 6-1.1-20.9 related to distributions under this chapter;

for the particular year covered by a budget agency's determination under subsection (c).

SECTION 18. IC 6-1.1-21-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 5. (a) Each year the taxpayers of each county shall receive a credit for property tax replacement in the amount of each taxpayer's property tax replacement credit amount for taxes which:

(1) under IC 6-1.1-22-9 are due and payable in May and November of that year; or

(2) under IC 6-1.1-22-9.5 are due in installments established by the department of local government finance for that year.

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The credit shall be applied to each installment of taxes. The dollar amount of the credit for each taxpayer shall be determined by the county auditor, based on data furnished by the department of local government finance.

(b) The tax liability of a taxpayer for the purpose of computing the credit for a particular year shall be based upon the taxpayer's tax liability **for that part of the total county tax levy imposed on the property of the taxpayer** as is evidenced by the tax duplicate for the taxes payable in that year, ~~plus the amount by which the tax payable by the taxpayer had been reduced due to the application of county adjusted gross income tax revenues to the extent the county adjusted gross income tax revenues were included in the determination of the total county tax levy for that year; as provided in sections 2(g) and 3 of this chapter;~~ adjusted, however, for any change in assessed valuation which may have been made pursuant to a postabstract adjustment if the change is set forth on the tax statement or on a corrected tax statement stating the taxpayer's tax liability, as prepared by the county treasurer in accordance with IC 6-1.1-22-8(a). ~~However, except when using the term under section 2(i)(1) of this chapter, the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer that is attributable to that part of any property tax levy subtracted under section 2(g)(1)(B); 2(g)(1)(C); 2(g)(1)(D); 2(g)(1)(E); 2(g)(1)(F); 2(g)(1)(G); 2(g)(1)(H); 2(g)(1)(I); 2(g)(1)(J); or 2(g)(1)(K) of this chapter in computing the total county tax levy.~~

(c) The credit for taxes payable in a particular year with respect to mobile homes which are assessed under IC 6-1.1-7 is equivalent to the taxpayer's property tax replacement credit amount for the taxes payable with respect to the assessments. ~~plus the adjustments stated in this section.~~

(d) Each taxpayer in a taxing district that contains all or part of an economic development district that meets the requirements of section 5.5 of this chapter is entitled to an additional credit for property tax replacement. This credit is equal to the product of:

- (1) the STEP TWO quotient determined under section 4(a)(3) of this chapter for the taxing district; multiplied by
- (2) the taxpayer's taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

SECTION 19. IC 6-1.1-22-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) The county treasurer shall either:

- (1) mail to the last known address of each person liable for any property taxes or special assessment, as shown on the tax

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duplicate or special assessment records, or to the last known address of the most recent owner shown in the transfer book a statement of current and delinquent taxes and special assessments; or

(2) transmit by written, electronic, or other means to a mortgagee maintaining an escrow account for a person who is liable for any property taxes or special assessments, as shown on the tax duplicate or special assessment records a statement of current and delinquent taxes and special assessments.

(b) The county treasurer may include the following in the statement:

(1) An itemized listing for each property tax levy, including:

(A) the amount of the tax rate;

(B) the entity levying the tax owed; and

(C) the dollar amount of the tax owed.

(2) Information designed to inform the taxpayer or mortgagee clearly and accurately of the manner in which the taxes billed in the tax statement are to be used.

A form used and the method by which the statement and information, if any, are transmitted must be approved by the state board of accounts. The county treasurer may mail or transmit the statement and information, if any, one (1) time each year at least fifteen (15) days before the date on which the first or only installment is due. Whenever a person's tax liability for a year is due in one (1) installment under IC 6-1.1-7-7 or section 9 of this chapter, a statement that is mailed must include the date on which the installment is due and denote the amount of money to be paid for the installment. Whenever a person's tax liability is due in two (2) installments, a statement that is mailed must contain the dates on which the first and second installments are due and denote the amount of money to be paid for each installment.

(c) All payments of property taxes and special assessments shall be made to the county treasurer. The county treasurer, when authorized by the board of county commissioners, may open temporary offices for the collection of taxes in cities and towns in the county other than the county seat.

(d) Before July 1, 2004, the department of local government finance shall designate five (5) counties to participate in a pilot program to implement the requirements of subsection (e). The department shall immediately notify the county treasurer, county auditor, and county assessor in writing of the designation under this subsection. The legislative body of a county not designated for participation in the pilot program may adopt an ordinance to implement the requirements of subsection (e). The legislative body shall submit a copy of the

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ordinance to the department of local government finance, which shall monitor the county's implementation of the requirements of subsection (e) as if the county were a participant in the pilot program. The requirements of subsection (e) apply:

(1) only in:

(A) a county designated to participate in a pilot program under this subsection, for property taxes first due and payable after December 31, 2004, and before January 1, 2008; or

(B) a county adopting an ordinance under this subsection, for property taxes first due and payable after December 31, 2003, or December 31, 2004 (as determined in the ordinance), and before January 1, 2008; and

(2) in all counties for taxes first due and payable after December 31, 2007.

(e) Subject to subsection (d), regardless of whether a county treasurer transmits a statement of current and delinquent taxes and special assessments to a person liable for the taxes under subsection (a)(1) or to a mortgagee under subsection (a)(2), the county treasurer shall mail the following information to the last known address of each person liable for the property taxes or special assessments or to the last known address of the most recent owner shown in the transfer book. The county treasurer shall mail the information not later than the date the county treasurer transmits a statement for the property under subsection (a)(1) or (a)(2). The county treasurer, county auditor, and county assessor shall cooperate to generate the information to be included on the form. The information that must be provided is the following:

(1) A breakdown showing the total property tax and special assessment liability and the amount of the taxpayer's liability that will be distributed to each taxing unit in the county.

(2) A comparison showing any change in the assessed valuation for the property as compared to the previous year.

(3) A comparison showing any change in the property tax and special assessment liability for the property as compared to the previous year. The information required under this subdivision must identify:

(A) the amount of the taxpayer's liability distributable to each taxing unit in which the property is located in the current year and in the previous year; and

(B) the percentage change, if any, in the amount of the taxpayer's liability distributable to each taxing unit in which the property is located from the previous year to the current

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- 1 year.
- 2 (4) An explanation of the following:
- 3 (A) The homestead credit and all property tax deductions.
- 4 (B) The procedure and deadline for filing for the homestead
- 5 credit and each deduction.
- 6 (C) The procedure that a taxpayer must follow to:
- 7 (i) appeal a current assessment; or
- 8 (ii) petition for the correction of an error related to the
- 9 taxpayer's property tax and special assessment liability.
- 10 (D) The forms that must be filed for an appeal or a petition
- 11 described in clause (C).

12 The department of local government finance shall provide the

13 explanation required by this subdivision to each county treasurer.

- 14 (5) A checklist that shows:
- 15 (A) the homestead credit and all property tax deductions; and
- 16 (B) whether the homestead credit and each property tax
- 17 deduction applies in the current statement for the property
- 18 transmitted under subsection (a)(1) or (a)(2).

19 (f) The information required to be mailed under subsection (e) must

20 be simply and clearly presented and understandable to the average

21 individual.

- 22 (g) A county that incurs:
- 23 (1) initial computer programming costs directly related to
- 24 implementation of the requirements of subsection (e); or
- 25 (2) printing costs directly related to mailing information under
- 26 subsection (e);

27 shall submit an itemized statement of the costs to the department of

28 local government finance for reimbursement from the state. The

29 treasurer of state shall pay a claim approved by the department of local

30 government finance and submitted under this section on a warrant of

31 the auditor of state. However, the treasurer of state may not pay any

32 additional claims under this subsection after the total amount of claims

33 paid reaches fifty thousand dollars (\$50,000).

34 **(h) This section expires January 1, 2008.**

35 SECTION 20. IC 6-1.1-22-8.1 IS ADDED TO THE INDIANA

36 CODE AS A NEW SECTION TO READ AS FOLLOWS

37 [EFFECTIVE JULY 1, 2006]: **Sec. 8.1. (a) This section applies only**

38 **to property taxes and special assessments first due and payable**

39 **after December 31, 2007.**

40 **(b) The county treasurer shall:**

- 41 **(1) mail to the last known address of each person liable for**
- 42 **any property taxes or special assessment, as shown on the tax**

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1 duplicate or special assessment records, or to the last known
 2 address of the most recent owner shown in the transfer book;
 3 and

4 (2) transmit by written, electronic, or other means to a
 5 mortgagee maintaining an escrow account for a person who
 6 is liable for any property taxes or special assessments, as
 7 shown on the tax duplicate or special assessment records;
 8 a statement in the form required under subsection (c).

9 (c) The department of local government finance shall prescribe
 10 a form, subject to the approval of the state board of accounts, for
 11 the statement under subsection (b) that includes at least the
 12 following:

13 (1) A statement of the taxpayer's current and delinquent taxes
 14 and special assessments.

15 (2) A breakdown showing the total property tax and special
 16 assessment liability and the amount of the taxpayer's liability
 17 that will be distributed to each taxing unit in the county.

18 (3) An itemized listing for each property tax levy, including:

19 (A) the amount of the tax rate;

20 (B) the entity levying the tax owed; and

21 (C) the dollar amount of the tax owed.

22 (4) Information designed to show the manner in which the
 23 taxes and special assessments billed in the tax statement are
 24 to be used.

25 (5) A comparison showing any change in the assessed
 26 valuation for the property as compared to the previous year.

27 (6) A comparison showing any change in the property tax and
 28 special assessment liability for the property as compared to
 29 the previous year. The information required under this
 30 subdivision must identify:

31 (A) the amount of the taxpayer's liability distributable to
 32 each taxing unit in which the property is located in the
 33 current year and in the previous year; and

34 (B) the percentage change, if any, in the amount of the
 35 taxpayer's liability distributable to each taxing unit in
 36 which the property is located from the previous year to the
 37 current year.

38 (7) An explanation of the following:

39 (A) The homestead credit and all property tax deductions.

40 (B) The procedure and deadline for filing for the
 41 homestead credit and each deduction.

42 (C) The procedure that a taxpayer must follow to:

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(i) appeal a current assessment; or

(ii) petition for the correction of an error related to the taxpayer's property tax and special assessment liability.

(D) The forms that must be filed for an appeal or a petition described in clause (C).

The department of local government finance shall provide the explanation required by this subdivision to each county treasurer.

(8) A checklist that shows:

(A) the homestead credit and all property tax deductions; and

(B) whether the homestead credit and each property tax deduction applies in the current statement for the property transmitted under subsection (b).

(d) The county treasurer may mail or transmit the statement one (1) time each year at least fifteen (15) days before the date on which the first or only installment is due. Whenever a person's tax liability for a year is due in one (1) installment under IC 6-1.1-7-7 or section 9 of this chapter, a statement that is mailed must include the date on which the installment is due and denote the amount of money to be paid for the installment. Whenever a person's tax liability is due in two (2) installments, a statement that is mailed must contain the dates on which the first and second installments are due and denote the amount of money to be paid for each installment.

(e) All payments of property taxes and special assessments shall be made to the county treasurer. The county treasurer, when authorized by the board of county commissioners, may open temporary offices for the collection of taxes in cities and towns in the county other than the county seat.

(f) The county treasurer, county auditor, and county assessor shall cooperate to generate the information to be included in the statement under subsection (c).

(g) The information to be included in the statement under subsection (c) must be simply and clearly presented and understandable to the average individual.

SECTION 21. IC 6-1.1-22-9.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9.5. (a) This section applies only to property taxes first due and payable in a year that begins after December 31, 2003:

(1) with respect to a homestead (as defined in IC 6-1.1-20.9-1); and

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- 1 (2) that are not payable in one (1) installment under section 9(b)
- 2 of this chapter.
- 3 (b) At any time before the mailing or transmission of tax statements
- 4 for a year under section 8 of this chapter, a county may petition the
- 5 department of local government finance to establish a schedule of
- 6 installments for the payment of property taxes with respect to:
- 7 (1) real property that are based on the assessment of the property
- 8 in the immediately preceding year; or
- 9 (2) a mobile home or manufactured home that is not assessed as
- 10 real property that are based on the assessment of the property in
- 11 the current year.
- 12 The county fiscal body (as defined in IC 36-1-2-6) ~~the county auditor,~~
- 13 ~~and the county treasurer~~ must approve a petition under this subsection.
- 14 (c) The department of local government finance:
- 15 (1) may not establish a date for:
- 16 (A) an installment payment that is earlier than May 10 of the
- 17 year in which the tax statement is mailed or transmitted;
- 18 (B) the first installment payment that is later than November
- 19 10 of the year in which the tax statement is mailed or
- 20 transmitted; or
- 21 (C) the last installment payment that is later than May 10 of
- 22 the year immediately following the year in which the tax
- 23 statement is mailed or transmitted; and
- 24 (2) shall:
- 25 (A) prescribe the form of the petition under subsection (b);
- 26 (B) determine the information required on the form; and
- 27 (C) notify the county fiscal body, the county auditor, and the
- 28 county treasurer of the department's determination on the
- 29 petition not later than twenty (20) days after receiving the
- 30 petition.
- 31 (d) Revenue from property taxes paid under this section in the year
- 32 immediately following the year in which the tax statement is mailed or
- 33 transmitted under section 8 of this chapter:
- 34 (1) is not considered in the determination of a levy excess under
- 35 IC 6-1.1-18.5-17 or IC 6-1.1-19-1.7 for the year in which the
- 36 property taxes are paid; and
- 37 (2) may be:
- 38 (A) used to repay temporary loans entered into by a political
- 39 subdivision for; and
- 40 (B) expended for any other reason by a political subdivision in
- 41 the year the revenue is received under an appropriation from;
- 42 the year in which the tax statement is mailed or transmitted under

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section 8 of this chapter.

SECTION 22. IC 6-1.1-40-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
Sec. 4. As used in this chapter, "new manufacturing equipment" means any tangible personal property that **an applicant for the deduction under section 11 of this chapter:**

(1) ~~is installed~~ **installs** in a district;

(2) ~~is used~~ **uses** in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property; ~~and~~

(3) ~~was acquired by its owner~~ **acquires** for use as described in subdivision (2); and

(4) ~~was never before used by its owner~~ **for any purpose in Indiana before the installation described in subdivision (1).**

SECTION 23. IC 6-1.1-45-9, AS ADDED BY P.L.214-2005, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) **Subject to subsection (c)**, a taxpayer that makes a qualified investment is entitled to a deduction from the assessed value of the taxpayer's enterprise zone property located at the enterprise zone location for which the taxpayer made the qualified investment. The amount of the deduction is equal to the remainder of:

(1) the total amount of the assessed value of the taxpayer's enterprise zone property assessed at the enterprise zone location on a particular assessment date; minus

(2) the total amount of the base year assessed value for the enterprise zone location.

(b) To receive the deduction allowed under subsection (a) for a particular year, a taxpayer must comply with the conditions set forth in this chapter.

(c) A taxpayer that makes a qualified investment in an enterprise zone established under IC 5-28-15-11 that is under the jurisdiction of a military base reuse authority board created under IC 36-7-30-3 is entitled to a deduction under this section only if the deduction is approved by the military base reuse authority board.

SECTION 24. IC 6-2.3-1-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 3.5. "Gross consideration" refers to anything of value, including cash or other tangible or intangible property, that a taxpayer pays in consideration for the retail purchase of utility services for consumption before deduction of any costs incurred in providing the utility services.**

SECTION 25. IC 6-2.3-3-11 IS ADDED TO THE INDIANA CODE

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AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 11. Subject to IC 6-2.3-2 and this chapter, gross receipts derived from activities or businesses or any other sources within Indiana include furnishing utility services to an end user in Indiana for consumption in Indiana, regardless of whether the:**

- (1) utility services are delivered through the pipelines, transmission lines, or other property of another person;**
- (2) taxpayer providing the utility service is or is not a resident or a domiciliary of Indiana; or**
- (3) transaction is subject to a deduction under IC 6-2.3-5-5.**

SECTION 26. IC 6-2.3-5.5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

Chapter 5.5. Utility Services Use Tax

Sec. 1. An excise tax, known as the utility services use tax, is imposed on the retail consumption of utility services in Indiana that are billed after June 30, 2006.

Sec. 2. The utility services use tax is measured by the gross consideration received by the seller from the sale of the commodities or services listed in IC 6-2.3-1-14(1) through IC 6-2.3-1-14(6).

Sec. 3. The utility services use tax is imposed at the same rate as the utility receipts tax under IC 6-2.3-2-2.

Sec. 4. The retail consumption of utility services in Indiana is exempt from the utility services use tax if the:

- (1) transaction is subject to utility receipts tax (including a public utility (as defined in IC 8-1-2-1) and the utility receipts tax is paid on the gross receipts from the utility services;**
- (2) gross receipts from the transaction are not taxable under IC 6-2.3-3 and the utility services are consumed for the purposes for which the gross receipts were excluded from taxation;**
- (3) utility services were acquired in a transaction that is wholly or partially exempt from the utility receipts tax under IC 6-2.3-4 and the utility services are consumed for the purpose for which the utility services were exempted; or**
- (4) utility services were acquired in a transaction that is wholly or partially subject to a deduction from the utility receipts tax under IC 6-2.3-5-6 and the utility services are consumed for the purpose for which the utility services deduction was given.**

Sec. 5. A person is entitled to a credit against the utility services

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1 use tax imposed on the retail consumption of utility services equal
 2 to the amount, if any, of utility services use tax paid to another
 3 state. Payment of a general sales tax, purchase tax, or use tax to
 4 another state does not qualify for a credit under this section.

5 Sec. 6. The person who consumes utility services is personally
 6 liable for the utility services use tax.

7 Sec. 7. The department shall establish procedures for the
 8 collection of the utility services use tax from users, including
 9 deposit and reporting requirements, deposit dates, and reporting
 10 dates. Failure to comply with the procedures is subject to the
 11 penalties in IC 6-8.1.

12 Sec. 8. Any seller of utility services may elect to register with the
 13 department to collect utility services use tax on behalf of persons
 14 liable for the utility services use tax imposed under this chapter. A
 15 seller must comply with the collection and reporting procedures
 16 specified by the department only if the seller enters into an
 17 agreement with the department under this section.

18 Sec. 9. (a) This subsection applies only to a person who receives
 19 utility services from a seller that enters into an agreement under
 20 section 8 of this chapter. The person liable for the utility services
 21 use tax shall pay the tax to the seller from whom the person
 22 purchased the utility services, and the seller shall collect the tax as
 23 an agent for the state, if the seller has departmental permission
 24 from the department to collect the tax.

25 (b) In all other cases, the person liable for the utility services use
 26 tax shall pay the utility services use tax directly to the department.

27 Sec. 10. When a seller collects the utility services use tax from
 28 a person, the seller shall, upon request, issue a receipt to that
 29 person for the utility services use tax collected.

30 Sec. 11. If:

31 (1) the department assesses the utility services use tax against
 32 a person for the person's retail consumption of utility
 33 services; and

34 (2) the person has already paid the utility services use tax in
 35 relation to the utility services to a seller permitted to collect
 36 the utility services use tax under section 8 of this chapter;

37 the person may avoid paying the utility services use tax to the
 38 department if the person can produce a receipt or other written
 39 evidence showing that the person paid the utility services use tax
 40 to the seller.

41 Sec. 12. (a) An individual who:

42 (1) is an employee, officer, or member of a corporation,

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partnership, or limited liability company; and

(2) has a duty to remit utility services use tax to the department under an agreement entered into under section 8 of this chapter or under section 9(b) of this chapter by virtue of the individual's responsibilities within the corporation, partnership, or limited liability company;

holds those taxes in trust for the state and is personally liable for the payment of those taxes, plus any penalties and interest attributable to those taxes, to the state.

(b) If an individual described in subsection (a) knowingly fails to collect or remit the specified taxes to the state, the individual commits a Class D felony.

SECTION 27. IC 6-2.5-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2. (a) An excise tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of that transaction or of the retail merchant making that transaction.

(b) The use tax is also imposed on the storage, use, or consumption of a vehicle, an aircraft, or a watercraft, if the vehicle, aircraft, or watercraft:

(1) is acquired in a transaction that is an isolated or occasional sale; and

(2) is required to be titled, licensed, or registered by this state for use in Indiana.

(c) The use tax is imposed on the addition of tangible personal property to a structure or facility, if, after its addition, the property becomes part of the real estate on which the structure or facility is located. However, the use tax does not apply to additions of tangible personal property described in this subsection, if:

(1) the state gross retail or use tax has been previously imposed on the sale or use of that property; or

(2) the ultimate purchaser or recipient of that property would have been exempt from the state gross retail and use taxes if that purchaser or recipient had directly purchased the property from the supplier for addition to the structure or facility.

(d) The use tax is imposed on a person who:

(1) manufactures, fabricates, or assembles tangible personal property from materials either within or outside Indiana; and

(2) uses, stores, distributes, or consumes tangible personal property in Indiana.

(e) Notwithstanding any other provision of this section, the use

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1 tax is not imposed on the keeping, retaining, or exercising of any right
2 or power over tangible personal property, if:

3 (1) the property is delivered into Indiana by or for the purchaser
4 of the property;

5 (2) the property is delivered in Indiana for the sole purpose of
6 being processed, printed, fabricated, or manufactured into,
7 attached to, or incorporated into other tangible personal property;
8 and

9 (3) the property is subsequently transported out of state for use
10 solely outside Indiana.

11 SECTION 28. IC 6-2.5-4-5, AS AMENDED BY P.L.203-2005,
12 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
13 JULY 1, 2006]: Sec. 5. (a) As used in this section, a "power subsidiary"
14 means a corporation which is owned or controlled by one (1) or more
15 public utilities that furnish or sell electrical energy, natural or artificial
16 gas, water, steam, or steam heat and which produces power exclusively
17 for the use of those public utilities.

18 (b) A power subsidiary or a person engaged as a public utility is a
19 retail merchant making a retail transaction when the subsidiary or
20 person furnishes or sells electrical energy, natural or artificial gas,
21 water, steam, or steam heating service to a person for commercial or
22 domestic consumption.

23 (c) Notwithstanding subsection (b), a power subsidiary or a person
24 engaged as a public utility is not a retail merchant making a retail
25 transaction in any of the following transactions:

26 (1) The power subsidiary or person provides, installs, constructs,
27 services, or removes tangible personal property which is used in
28 connection with the furnishing of the services or commodities
29 listed in subsection (b).

30 (2) The power subsidiary or person sells the services or
31 commodities listed in subsection (b) to another public utility or
32 power subsidiary described in this section or a person described
33 in section 6 of this chapter.

34 (3) The power subsidiary or person sells the services or
35 commodities listed in subsection (b) to a person for use in
36 manufacturing, mining, production, refining, oil extraction,
37 mineral extraction, irrigation, agriculture, or horticulture.
38 However, this exclusion for sales of the services and commodities
39 only applies if the services are consumed as an essential and
40 integral part of an integrated process that produces tangible
41 personal property and those sales are separately metered for the
42 excepted uses listed in this subdivision, or if those sales are not

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separately metered but are predominately used by the purchaser for the excepted uses listed in this subdivision.

(4) The power subsidiary or person sells the services or commodities listed in subsection (b) and all the following conditions are satisfied:

(A) The services or commodities are sold to a business that after June 30, 2004:

- (i) relocates all or part of its operations to a facility; or
- (ii) expands all or part of its operations in a facility;

located in a military base (as defined in IC 36-7-30-1(c)), a military base reuse area established under IC 36-7-30, the part of an economic development area established under IC 36-7-14.5-12.5 that is or formerly was a military base (as defined in IC 36-7-30-1(c)), a military base recovery site designated under IC 6-3.1-11.5, or a qualified military base enhancement area established under IC 36-7-34.

(B) The business uses the services or commodities in the facility described in clause (A) not later than five (5) years after the operations that are relocated to the facility or expanded in the facility commence.

(C) The sales of the services or commodities are separately metered for use by the relocated or expanded operations.

(D) In the case of a business that uses the services or commodities in a qualified military base enhancement area, the business must satisfy at least one (1) of the following criteria:

- (i) The business is a participant in the technology transfer program conducted by the qualified military base (as defined in IC 36-7-34-3).
- (ii) The business is a United States Department of Defense contractor.
- (iii) The business and the qualified military base have a mutually beneficial relationship evidenced by a memorandum of understanding between the business and the United States Department of Defense.

However, this subdivision does not apply to a business that substantially reduces or ceases its operations at another location in Indiana in order to relocate its operations in an area described in this subdivision, unless the department determines that the business had existing operations in the area described in this subdivision and that the operations relocated to the area are an expansion of the business's operations in the area.

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(5) The power subsidiary or person sells services or commodities that:

(A) are referred to in subsection (b); and

(B) qualify as home energy (as defined in IC 12-14-11-2); to a person who acquires the services or commodities after June 30, 2006, and before July 1, 2007, through a program administered by the division of family resources under IC 12-14-11.

SECTION 29. IC 6-2.5-5-16.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 16.5. (a) As used in this section, "home energy" has the meaning set forth in IC 12-14-11-2.

(b) Transactions involving home energy are exempt from the state gross retail tax if the person acquiring the home energy acquires it after June 30, 2006, and before July 1, 2007, through a program administered by the division of family resources under IC 12-14-11.

SECTION 30. IC 6-2.5-6-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) In determining the amount of state gross retail and use taxes which a retail merchant must remit under section 7 of this chapter, the retail merchant shall, subject to subsections (c) and (d), deduct from the retail merchant's gross retail income from retail transactions made during a particular reporting period, an amount equal to the retail merchant's receivables which:

- (1) resulted from retail transactions in which the retail merchant did not collect the state gross retail or use tax from the purchaser;
- (2) resulted from retail transactions on which the retail merchant has previously paid the state gross retail or use tax liability to the department; and
- (3) were written off as an uncollectible debt for federal tax purposes under Section 166 of the Internal Revenue Code during the particular reporting period.

(b) If a retail merchant deducts a receivable under subsection (a) and subsequently collects all or part of that receivable, then the retail merchant shall, subject to subsection (d)(6), include the amount collected as part of the retail merchant's gross retail income from retail transactions for the particular reporting period in which the retail merchant makes the collection.

(c) This subsection applies only to retail transactions occurring after June 30, ~~2004~~ 2006. The right to a deduction under this section is **not** assignable. ~~only if the retail merchant that paid the state gross retail or~~

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1 ~~use tax liability assigned the right to the deduction in writing.~~

2 (d) The following provisions apply to a deduction for a receivable
3 treated as uncollectible debt under subsection (a):

4 (1) The deduction does not include interest.

5 (2) The amount of the deduction shall be determined in the
6 manner provided by Section 166 of the Internal Revenue Code for
7 bad debts but shall be adjusted to exclude:

8 (A) financing charges or interest;

9 (B) sales or use taxes charged on the purchase price;

10 (C) uncollectible amounts on property that remain in the
11 possession of the seller until the full purchase price is paid;

12 (D) expenses incurred in attempting to collect any debt; and

13 (E) repossessed property.

14 (3) The deduction shall be claimed on the return for the period
15 during which the receivable is written off as uncollectible in the
16 claimant's books and records and is eligible to be deducted for
17 federal income tax purposes. For purposes of this subdivision, a
18 claimant who is not required to file federal income tax returns
19 may deduct an uncollectible receivable on a return filed for the
20 period in which the receivable is written off as uncollectible in the
21 claimant's books and records and would be eligible for a bad debt
22 deduction for federal income tax purposes if the claimant were
23 required to file a federal income tax return.

24 (4) If the amount of uncollectible receivables claimed as a
25 deduction by a retail merchant for a particular reporting period
26 exceeds the amount of the retail merchant's taxable sales for that
27 reporting period, the retail merchant may file a refund claim
28 under IC 6-8.1-9. However, the deadline for the refund claim shall
29 be measured from the due date of the return for the reporting
30 period on which the deduction for the uncollectible receivables
31 could first be claimed.

32 (5) If a retail merchant's filing responsibilities have been assumed
33 by a certified service provider (as defined in IC 6-2.5-11-2), the
34 certified service provider may claim, on behalf of the retail
35 merchant, any deduction or refund for uncollectible receivables
36 provided by this section. The certified service provider must
37 credit or refund the full amount of any deduction or refund
38 received to the retail merchant.

39 (6) For purposes of reporting a payment received on a previously
40 claimed uncollectible receivable, any payments made on a debt or
41 account shall be applied first proportionally to the taxable price
42 of the property and the state gross retail tax or use tax thereon,

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and secondly to interest, service charges, and any other charges.

(7) A retail merchant claiming a deduction for an uncollectible receivable may allocate that receivable among the states that are members of the streamlined sales and use tax agreement if the books and records of the retail merchant support that allocation.

SECTION 31. IC 6-3-1-3.5, AS AMENDED BY P.L.246-2005, SECTION 69, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

(4) Subtract one thousand dollars (\$1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code for taxable years beginning after December 31, 1996; and

(B) five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars (\$40,000).

This amount is in addition to the amount subtracted under subdivision (4).

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- (6) Subtract an amount equal to the lesser of:
- (A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or
 - (B) two thousand dollars (\$2,000).
- (7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.
- (8) Subtract any amounts included in federal adjusted gross income under Section 111 of the Internal Revenue Code as a recovery of items previously deducted as an itemized deduction from adjusted gross income.
- (9) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).
- (10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.
- (11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.
- (12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.
- (13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.
- (14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not

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1 allowed under federal law to retain an amount to pay state and
2 local income taxes.

3 (15) In the case of an eligible individual, subtract the amount of
4 a Holocaust victim's settlement payment included in the
5 individual's federal adjusted gross income.

6 (16) For taxable years beginning after December 31, 1999,
7 subtract an amount equal to the portion of any premiums paid
8 during the taxable year by the taxpayer for a qualified long term
9 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
10 taxpayer's spouse, or both.

11 (17) Subtract an amount equal to the lesser of:

12 (A) for a taxable year:

13 (i) including any part of 2004, the amount determined under
14 subsection (f); and

15 (ii) beginning after December 31, 2004, two thousand five
16 hundred dollars (\$2,500); or

17 (B) the amount of property taxes that are paid during the
18 taxable year in Indiana by the individual on the individual's
19 principal place of residence.

20 (18) Subtract an amount equal to the amount of a September 11
21 terrorist attack settlement payment included in the individual's
22 federal adjusted gross income.

23 (19) Add or subtract the amount necessary to make the adjusted
24 gross income of any taxpayer that owns property for which bonus
25 depreciation was allowed in the current taxable year or in an
26 earlier taxable year equal to the amount of adjusted gross income
27 that would have been computed had an election not been made
28 under Section 168(k) of the Internal Revenue Code to apply bonus
29 depreciation to the property in the year that it was placed in
30 service.

31 (20) Add an amount equal to any deduction allowed under
32 Section 172 of the Internal Revenue Code.

33 (21) Add or subtract the amount necessary to make the adjusted
34 gross income of any taxpayer that placed Section 179 property (as
35 defined in Section 179 of the Internal Revenue Code) in service
36 in the current taxable year or in an earlier taxable year equal to
37 the amount of adjusted gross income that would have been
38 computed had an election for federal income tax purposes not
39 been made for the year in which the property was placed in
40 service to take deductions under Section 179 of the Internal
41 Revenue Code in a total amount exceeding twenty-five thousand
42 dollars (\$25,000).

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(22) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal

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income tax purposes.

(9) Add to the extent required by IC 6-3-2-20 the amount of intangible expenses (as defined in IC 6-3-2-20) and any directly related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable income (as defined in Section 63 of the Internal Revenue Code) for federal income tax purposes.

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

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(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.

(3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 831(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.

(4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal

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income tax purposes.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

(3) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(4) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(6) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(f) This subsection applies only to the extent that an individual paid property taxes in 2004 that were imposed for the March 1, 2002, assessment date or the January 15, 2003, assessment date. The maximum amount of the deduction under subsection (a)(17) is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of property taxes that the taxpayer paid after December 31, 2003, in the taxable year for

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property taxes imposed for the March 1, 2002, assessment date and the January 15, 2003, assessment date.

STEP TWO: Determine the amount of property taxes that the taxpayer paid in the taxable year for the March 1, 2003, assessment date and the January 15, 2004, assessment date.

STEP THREE: Determine the result of the STEP ONE amount divided by the STEP TWO amount.

STEP FOUR: Multiply the STEP THREE amount by two thousand five hundred dollars (\$2,500).

STEP FIVE: Determine the sum of the STEP FOUR amount and two thousand five hundred dollars (\$2,500).

SECTION 32. IC 6-3-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

- (1) income from real or tangible personal property located in this state;
- (2) income from doing business in this state;
- (3) income from a trade or profession conducted in this state;
- (4) compensation for labor or services rendered within this state; and
- (5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property if the receipt from the intangible is attributable to Indiana under section 2.2 of this chapter.

In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter) only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.

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(b) Except as provided in subsection (l), if business income of a corporation or a nonresident person is derived from sources within the state of Indiana and from sources without the state of Indiana, ~~then the business income derived from sources within this state shall be determined by multiplying the business income derived from sources both within and without the state of Indiana by a fraction the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three (3). However, after a period of two (2) consecutive quarters of income growth and one (1) additional quarter (regardless of any income growth), the fraction shall be computed as follows: the following:~~

(1) For all taxable years that begin ~~within the first calendar year immediately following the period;~~ **after December 31, 2006, and before January 1, 2008, a fraction. The:**

(A) numerator of the fraction is the sum of the property factor plus the payroll factor plus ~~one hundred thirty-three percent (133%)~~ **the product of the sales factor multiplied by three (3); and the**

(B) denominator of the fraction is ~~three and thirty-three hundredths (3.33);~~ **five (5).**

(2) For all taxable years that begin ~~within the second calendar year following the period;~~ **after December 31, 2007, and before January 1, 2009, a fraction. The:**

(A) numerator of the fraction is the property factor plus the payroll factor plus ~~one hundred sixty-seven percent (167%)~~ **the product of the sales factor multiplied by four and sixty-seven hundredths (4.67); and the**

(B) denominator of the fraction is ~~three six and sixty-seven hundredths (3.67);~~ **(6.67).**

(3) For all taxable years beginning ~~on or after January 1 of the third calendar year following the period;~~ **December 31, 2008, and before January 1, 2010, a fraction. The:**

(A) numerator of the fraction is the property factor plus the payroll factor plus ~~two hundred percent (200%)~~ **the product of the sales factor multiplied by eight (8); and the**

(B) denominator of the fraction is ~~four (4);~~ **ten (10).**

(4) For all taxable years beginning **after December 31, 2009, and before January 1, 2011, a fraction. The:**

(A) numerator of the fraction is the property factor plus the payroll factor plus **the product of the sales factor multiplied by eighteen (18); and**

(B) denominator of the fraction is **twenty (20).**

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**(5) For all taxable years beginning after December 31, 2010,
the sales factor.**

For purposes of this subsection, income growth occurs when the state's nonfarm personal income for a calendar quarter increases in comparison with the state's nonfarm personal income for the immediately preceding quarter at an annualized compound rate of five percent (5%) or more, as determined by the budget agency based on current dollar figures provided by the Bureau of Economic Analysis of the United States Department of Commerce or its successor agency. The annualized compound rate shall be computed in accordance with the formula $(1+N)^4 - 1$, where N equals the percentage change in the state's current dollar nonfarm personal income from one (1) quarter to the next. As soon as possible after two (2) consecutive quarters of income growth, the budget agency shall advise the department of the growth.

(c) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year. However, with respect to a foreign corporation, the denominator does not include the average value of real or tangible personal property owned or rented and used in a place that is outside the United States. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. The average of property shall be determined by averaging the values at the beginning and ending of the taxable year, but the department may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the taxpayer's property.

(d) The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the taxable year by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the taxable year. However, with respect to a foreign corporation, the denominator does not include compensation paid in a place that is outside the United States. Compensation is paid in this state if:

- (1) the individual's service is performed entirely within the state;
- (2) the individual's service is performed both within and without this state, but the service performed without this state is incidental

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to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. **Regardless of the f.o.b. point or other conditions of the sale**, sales of tangible personal property are in this state if:

(1) the property is delivered or shipped to a purchaser **who is within Indiana**, other than the United States government; ~~within this state; regardless of the f.o.b. point or other conditions of the sale;~~ or

(2) the property is shipped from an office, a store, a warehouse, a factory, or other place of storage in this state and:

(A) the purchaser is the United States government; or

(B) the taxpayer is not taxable in the state of the purchaser.

Gross receipts derived from commercial printing as described in IC 6-2.5-1-10 shall be treated as sales of tangible personal property for purposes of this chapter.

(f) Sales, other than receipts from intangible property covered by subsection (e) and sales of tangible personal property, are in this state if:

(1) the income-producing activity is performed in this state; or

(2) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

(g) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the

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1 extent that they constitute nonbusiness income, shall be allocated as
2 provided in subsections (h) through (k).

3 (h)(1) Net rents and royalties from real property located in this state
4 are allocable to this state.

5 (2) Net rents and royalties from tangible personal property are
6 allocated to this state:

7 (i) if and to the extent that the property is utilized in this state; or

8 (ii) in their entirety if the taxpayer's commercial domicile is in this
9 state and the taxpayer is not organized under the laws of or
10 taxable in the state in which the property is utilized.

11 (3) The extent of utilization of tangible personal property in a state
12 is determined by multiplying the rents and royalties by a fraction, the
13 numerator of which is the number of days of physical location of the
14 property in the state during the rental or royalty period in the taxable
15 year, and the denominator of which is the number of days of physical
16 location of the property everywhere during all rental or royalty periods
17 in the taxable year. If the physical location of the property during the
18 rental or royalty period is unknown or unascertainable by the taxpayer,
19 tangible personal property is utilized in the state in which the property
20 was located at the time the rental or royalty payer obtained possession.

21 (i)(1) Capital gains and losses from sales of real property located in
22 this state are allocable to this state.

23 (2) Capital gains and losses from sales of tangible personal property
24 are allocable to this state if:

25 (i) the property had a situs in this state at the time of the sale; or

26 (ii) the taxpayer's commercial domicile is in this state and the
27 taxpayer is not taxable in the state in which the property had a
28 situs.

29 (3) Capital gains and losses from sales of intangible personal
30 property are allocable to this state if the taxpayer's commercial
31 domicile is in this state.

32 (j) Interest and dividends are allocable to this state if the taxpayer's
33 commercial domicile is in this state.

34 (k)(1) Patent and copyright royalties are allocable to this state:

35 (i) if and to the extent that the patent or copyright is utilized by
36 the taxpayer in this state; or

37 (ii) if and to the extent that the patent or copyright is utilized by
38 the taxpayer in a state in which the taxpayer is not taxable and the
39 taxpayer's commercial domicile is in this state.

40 (2) A patent is utilized in a state to the extent that it is employed
41 in production, fabrication, manufacturing, or other processing in
42 the state or to the extent that a patented product is produced in the

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state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

(l) If the allocation and apportionment provisions of this article do not fairly represent the taxpayer's income derived from sources within the state of Indiana, the taxpayer may petition for or the department may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(1) separate accounting;

(2) **for a taxable year beginning before January 1, 2011**, the exclusion of any one (1) or more of the factors, **except the sales factor**;

(3) the inclusion of one (1) or more additional factors which will fairly represent the taxpayer's income derived from sources within the state of Indiana; or

(4) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

(m) In the case of two (2) or more organizations, trades, or businesses owned or controlled directly or indirectly by the same interests, the department shall distribute, apportion, or allocate the income derived from sources within the state of Indiana between and among those organizations, trades, or businesses in order to fairly reflect and report the income derived from sources within the state of Indiana by various taxpayers.

(n) For purposes of allocation and apportionment of income under this article, a taxpayer is taxable in another state if:

(1) in that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or

(2) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

(o) Notwithstanding subsections (l) and (m), the department may not, under any circumstances, require that income, deductions, and credits attributable to a taxpayer and another entity be reported in a

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combined income tax return for any taxable year, if the other entity is:

(1) a foreign corporation; or

(2) a corporation that is classified as a foreign operating corporation for the taxable year by section 2.4 of this chapter.

(p) Notwithstanding subsections (l) and (m), the department may not require that income, deductions, and credits attributable to a taxpayer and another entity not described in subsection (o)(1) or (o)(2) be reported in a combined income tax return for any taxable year, unless the department is unable to fairly reflect the taxpayer's adjusted gross income for the taxable year through use of other powers granted to the department by subsections (l) and (m).

(q) Notwithstanding subsections (o) and (p), one (1) or more taxpayers may petition the department under subsection (l) for permission to file a combined income tax return for a taxable year. The petition to file a combined income tax return must be completed and filed with the department not more than thirty (30) days after the end of the taxpayer's taxable year. **A taxpayer filing a combined income tax return must petition the department within thirty (30) days after the end of the taxpayer's taxable year to discontinue filing a combined income tax return.**

(r) This subsection applies to a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code. The corporation's adjusted gross income that is derived from sources within Indiana is determined by multiplying the corporation's adjusted gross income by a fraction:

(1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and

(2) the denominator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks everywhere.

The term "direct premiums and annuity considerations" means the gross premiums received from direct business as reported in the corporation's annual statement filed with the department of insurance.

SECTION 33. IC 6-3-2-20 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 20. (a) The following definitions apply throughout this section:**

(1) "Affiliated group" has the meaning provided in Section 1504 of the Internal Revenue Code, except that the ownership percentage in Section 1504(a)(2) of the Internal Revenue Code

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shall be determined using fifty percent (50%) instead of eighty percent (80%).

(2) "Directly related intangible interest expenses" means interest expenses that are paid to, or accrued or incurred as a liability to, a recipient if:

(A) the amounts represent, in the hands of the recipient, income from making one (1) or more loans; and

(B) the funds loaned were originally received by the recipient from the payment of intangible expenses by any of the following:

(i) The taxpayer.

(ii) A member of the same affiliated group as the taxpayer.

(iii) A foreign corporation.

(3) "Foreign corporation" means a corporation that is organized under the laws of a country other than the United States and would be a member of the same affiliated group as the taxpayer if the corporation were organized under the laws of the United States.

(4) "Intangible expenses" means the following amounts to the extent these amounts are allowed as deductions in determining taxable income under Section 63 of the Internal Revenue Code before the application of any net operating loss deduction and special deductions for the taxable year:

(A) Expenses, losses, and costs directly for, related to, or in connection with the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property.

(B) Royalty, patent, technical, and copyright fees.

(C) Licensing fees.

(D) Other substantially similar expenses and costs.

(5) "Intangible property" means patents, patent applications, trade names, trademarks, service marks, copyrights, trade secrets, and substantially similar types of intangible assets.

(6) "Interest expenses" means amounts that are allowed as deductions under Section 163 of the Internal Revenue Code in determining taxable income under Section 63 of the Internal Revenue Code before the application of any net operating loss deductions and special deductions for the taxable year.

(7) "Makes a disclosure" means a taxpayer provides the following information regarding a transaction with a member of the same affiliated group or a foreign corporation involving

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an intangible expense and any directly related intangible interest expense with the taxpayer's tax return on the forms prescribed by the department:

(A) The name of the recipient.

(B) The state or country of domicile of the recipient.

(C) The amount paid to the recipient.

(D) A copy of federal Form 851, Affiliation Schedule, as filed with the taxpayer's federal consolidated tax return.

(E) The information needed to determine the taxpayer's status under the exceptions listed in subsection (c).

(8) "Recipient" means:

(A) a member of the same affiliated group as the taxpayer; or

(B) a foreign corporation;

to which is paid an item of income that corresponds to an intangible expense or any directly related intangible interest expense.

(9) "Unrelated party" means a person that, with respect to the taxpayer, is not a member of the same affiliated group or a foreign corporation.

(b) Except as provided in subsection (c), in determining its adjusted gross income under IC 6-3-1-3.5(b), a corporation subject to the tax imposed by IC 6-3-2-1 shall add to its taxable income under Section 63 of the Internal Revenue Code:

(1) intangible expenses; and

(2) any directly related intangible interest expenses; paid, accrued, or incurred with one (1) or more members of the same affiliated group or with one (1) or more foreign corporations.

(c) The addition of intangible expenses or any directly related intangible interest expenses otherwise required in a taxable year under subsection (b) is not required if one (1) or more of the following apply to the taxable year:

(1) The taxpayer and the recipient are both included in the same consolidated tax return filed under IC 6-3-4-14 or in the same combined return filed under IC 6-3-2-2(q) for the taxable year.

(2) The taxpayer makes a disclosure and, at the request of the department, can establish by a preponderance of the evidence that:

(A) the item of income corresponding to the intangible expenses and any directly related intangible interest expenses was included within the recipient's income that is

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subject to tax in:

(i) a state or possession of the United States; or

(ii) a country other than the United States;

that is the recipient's commercial domicile and that imposes a net income tax, a franchise tax measured, in whole or in part, by net income, or a value added tax; and (B) the transaction giving rise to the intangible expenses and any directly related intangible interest expenses between the taxpayer and the recipient was made at a commercially reasonable rate and at terms comparable to an arm's length transaction.

(3) The taxpayer makes a disclosure and, at the request of the department, can establish by a preponderance of the evidence that:

(A) the recipient regularly engages in transactions involving intangible property with one (1) or more unrelated parties on terms substantially similar to those of the subject transaction; and

(B) the transactions giving rise to the intangible expenses and any directly related intangible interest expenses between the taxpayer and the recipient did not have Indiana tax avoidance as a principal purpose.

(4) The taxpayer and the department agree, in writing, to the application or use of an alternative method of allocation or appointment under section 2(l) or 2(m) of this chapter.

(5) Upon request by the taxpayer, the department determines that the adjustment otherwise required by this section is unreasonable.

(6) The taxpayer makes a disclosure and, at the request of the department, can establish by a preponderance of the evidence that:

(A) the recipient is engaged in:

(i) substantial business activities from the acquisition, use, licensing, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property; or

(ii) other substantial business activities separate and apart from the business activities described in item (i); as evidenced by the maintenance of a permanent office space and an adequate number of full-time, experienced employees;

(B) the transactions giving rise to the intangible expenses

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1 and any directly related intangible interest expenses
 2 between the taxpayer and the recipient did not have
 3 Indiana tax avoidance as a principal purpose; and

4 (C) the transactions were made at a commercially
 5 reasonable rate and at terms comparable to an arm's
 6 length transaction.

7 (7) The taxpayer makes a disclosure and, at the request of the
 8 department, can establish by a preponderance of the evidence
 9 that:

10 (A) the recipient paid, accrued, or incurred a liability to an
 11 unrelated party during the taxable year for an equal or
 12 greater amount that was directly for, related to, or in
 13 connection with the same intangible property giving rise to
 14 the intangible expenses; and

15 (B) the transactions giving rise to the intangible expenses
 16 and any directly related intangible interest expenses
 17 between the taxpayer and the recipient did not have
 18 Indiana tax avoidance as a principal purpose.

19 SECTION 34. IC 6-3-4-4.1 IS AMENDED TO READ AS
 20 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 4.1. (a) This
 21 section applies to taxable years beginning after December 31, 1993.

22 (b) Any individual required by the Internal Revenue Code to file
 23 estimated tax returns and to make payments on account of such
 24 estimated tax shall file estimated tax returns and make payments of the
 25 tax imposed by this article to the department at the time or times and
 26 in the installments as provided by Section 6654 of the Internal Revenue
 27 Code. However, in applying Section 6654 of the Internal Revenue Code
 28 for the purposes of this article, "estimated tax" means the amount
 29 which the individual estimates as the amount of the adjusted gross
 30 income tax imposed by this article for the taxable year, minus the
 31 amount which the individual estimates as the sum of any credits against
 32 the tax provided by IC 6-3-3.

33 (c) Every individual who has adjusted gross income subject to the
 34 tax imposed by this article and from which tax is not withheld under
 35 the requirements of section 8 of this chapter shall make a declaration
 36 of estimated tax for the taxable year. However, no such declaration
 37 shall be required if the estimated tax can reasonably be expected to be
 38 less than four hundred dollars (\$400). In the case of an underpayment
 39 of the estimated tax as provided in Section 6654 of the Internal
 40 Revenue Code, there shall be added to the tax a penalty in an amount
 41 prescribed by IC 6-8.1-10-2.1(b).

42 (d) Every corporation subject to the adjusted gross income tax

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liability imposed by this article shall be required to report and pay an estimated tax equal to twenty-five percent (25%) of such corporation's estimated adjusted gross income tax liability for the taxable year. A taxpayer who uses a taxable year that ends on December 31 shall file the taxpayer's estimated adjusted gross income tax returns and pay the tax to the department on or before April 20, June 20, September 20, and December 20 of the taxable year. If a taxpayer uses a taxable year that does not end on December 31, the due dates for filing estimated adjusted gross income tax returns and paying the tax are on or before the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year. The department shall prescribe the manner and forms for such reporting and payment.

(e) The penalty prescribed by IC 6-8.1-10-2.1(b) shall be assessed by the department on corporations failing to make payments as required in subsection (d) or (g). However, no penalty shall be assessed as to any estimated payments of adjusted gross income tax which equal or exceed:

(1) twenty percent (20%) of the final tax liability for such taxable year; or

(2) twenty-five percent (25%) of the final tax liability for the taxpayer's previous taxable year.

In addition, the penalty as to any underpayment of tax on an estimated return shall only be assessed on the difference between the actual amount paid by the corporation on such estimated return and twenty-five percent (25%) of the corporation's final adjusted gross income tax liability for such taxable year.

(f) The provisions of subsection (d) requiring the reporting and estimated payment of adjusted gross income tax shall be applicable only to corporations having an adjusted gross income tax liability which, after application of the credit allowed by IC 6-3-3-2 (repealed), shall exceed one thousand dollars (\$1,000) for its taxable year.

(g) If the department determines that a corporation's:

(1) estimated quarterly adjusted gross income tax liability for the current year; or

(2) average estimated quarterly adjusted gross income tax liability for the preceding year;

exceeds, before January 1, 1998, twenty thousand dollars (\$20,000), and, after December 31, 1997, ten thousand dollars (\$10,000), after the credit allowed by IC 6-3-3-2 (repealed), the corporation shall pay the estimated adjusted gross income taxes due by electronic funds transfer (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by courier a payment by cashier's check, certified check, or money order

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1 to the department. The transfer or payment shall be made on or before
2 the date the tax is due.

3 (h) **Subject to subsection (i)**, if a corporation's adjusted gross
4 income tax payment is made by electronic funds transfer, the
5 corporation is not required to file an estimated adjusted gross income
6 tax return.

7 (i) **The reports required by the department to administer the**
8 **county income tax under IC 6-11-11 shall be filed on the schedule**
9 **determined by the department.**

10 SECTION 35. IC 6-3-4-8.1 IS AMENDED TO READ AS
11 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 8.1. (a) Any entity
12 that is required to file a monthly return and make a monthly remittance
13 of taxes under sections 8, 12, 13, and 15 of this chapter shall file those
14 returns and make those remittances twenty (20) days (rather than thirty
15 (30) days) after the end of each month for which those returns and
16 remittances are filed, if that entity's average monthly remittance for the
17 immediately preceding calendar year exceeds one thousand dollars
18 (\$1,000).

19 (b) The department may require any entity to make the entity's
20 monthly remittance and file the entity's monthly return twenty (20) days
21 (rather than thirty (30) days) after the end of each month for which a
22 return and payment are made if the department estimates that the
23 entity's average monthly payment for the current calendar year will
24 exceed one thousand dollars (\$1,000).

25 (c) If a person files a combined sales and withholding tax report and
26 either this section or IC 6-2.5-6-1 requires the sales or withholding tax
27 report to be filed and remittances to be made within twenty (20) days
28 after the end of each month, then the person shall file the combined
29 report and remit the sales and withholding taxes due within twenty (20)
30 days after the end of each month.

31 (d) If the department determines that an entity's:

32 (1) estimated monthly withholding tax remittance for the current
33 year; or

34 (2) average monthly withholding tax remittance for the preceding
35 year;

36 exceeds ten thousand dollars (\$10,000), the entity shall remit the
37 monthly withholding taxes due by electronic fund transfer (as defined
38 in IC 4-8.1-2-7) or by delivering in person or by overnight courier a
39 payment by cashier's check, certified check, or money order to the
40 department. The transfer or payment shall be made on or before the
41 date the remittance is due.

42 (e) **Subject to subsection (f)**, if an entity's withholding tax

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remittance is made by electronic fund transfer, the entity is not required to file a monthly withholding tax return.

(f) The reports required by the department to administer the county income tax under IC 6-11-11 shall be filed on the schedule determined by the department.

SECTION 36. IC 6-3.1-26-8, AS AMENDED BY P.L.199-2005, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 8. (a) As used in this chapter, "qualified investment" means the amount of the taxpayer's expenditures in Indiana for:

- (1) the purchase of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution equipment;
- (2) the purchase of new computers and related equipment;
- (3) costs associated with the modernization of existing telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities;
- (4) onsite infrastructure improvements;
- (5) the construction of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities;
- (6) costs associated with retooling existing machinery and equipment;
- (7) costs associated with the construction of special purpose buildings and foundations for use in the computer, software, biological sciences, or telecommunications industry; and
- (8) costs associated with the purchase ~~before January 1, 2008~~, of machinery, equipment, or special purpose buildings used to make motion pictures or audio productions;

that are certified by the corporation under this chapter as being eligible for the credit under this chapter.

(b) The term does not include property that can be readily moved outside Indiana.

SECTION 37. IC 6-3.1-26-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 26. (a) This chapter applies to taxable years beginning after December 31, 2003.

(b) Notwithstanding the other provisions of this chapter, ~~a taxpayer is not entitled to the corporation may not approve~~ a credit for a qualified investment made after December 31, ~~2007~~. **2009**. However,

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1 this section may not be construed to prevent a taxpayer from carrying
 2 an unused tax credit attributable to a qualified investment made before
 3 January 1, ~~2008~~, **2010**, forward to a taxable year beginning after
 4 December 31, ~~2007~~, **2009**, in the manner provided by section 15 of this
 5 chapter.

6 SECTION 38. IC 6-3.5-1.1-2.5 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2.5. (a) This section
 8 applies only to a county having a population of more than forty-one
 9 thousand (41,000) but less than forty-three thousand (43,000).

10 **(b) As used in this section, "fiscal year" means a twelve (12)**
 11 **month period beginning July 1 and ending June 30.**

12 ~~(b)~~ **(c)** The county council of a county described in subsection (a)
 13 may, by ordinance, determine that additional county adjusted gross
 14 income tax revenue is needed in the county to fund the operation and
 15 maintenance of a jail and juvenile detention center opened after July 1,
 16 1998.

17 ~~(c)~~ **(d)** Notwithstanding section 2 of this chapter, if the county
 18 council adopts an ordinance under subsection ~~(b)~~ **(c)**, the county
 19 council may impose the county adjusted gross income tax at a rate of
 20 one and one-tenth percent (1.1%) on adjusted gross income **for fiscal**
 21 **years beginning before July 1, 2011. However, a county may impose**
 22 **the county adjusted gross income tax at a rate of one and one-tenth**
 23 **percent (1.1%) for only eight (8) years. For fiscal years beginning**
 24 **after the county has imposed the county adjusted gross income tax at**
 25 **a rate of one and one-tenth percent (1.1%) for eight (8) years June 30,**
 26 **2011, the rate is reduced to one percent (1%). If the county council**
 27 **imposes the county adjusted gross income tax at a rate of one and**
 28 **one-tenth percent (1.1%), the county council may decrease the rate or**
 29 **rescind the tax in the manner provided under this chapter.**

30 ~~(d)~~ **(e)** If a county imposes the county adjusted gross income tax at
 31 a rate of one and one-tenth percent (1.1%) under this section, the
 32 revenue derived from a tax rate of one-tenth percent (0.1%) on adjusted
 33 gross income:

- 34 (1) shall be paid to the county treasurer;
- 35 (2) may be used only to pay the costs of operating a jail and
- 36 juvenile detention center opened after July 1, 1998; and
- 37 (3) may not be considered by the department of local government
- 38 finance in determining the county's maximum permissible
- 39 property tax levy limit under IC 6-1.1-18.5.

40 SECTION 39. IC 6-3.5-1.1-2.8 IS AMENDED TO READ AS
 41 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
 42 Sec. 2.8. (a) This section applies to:

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(1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); ~~and~~

(2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900); **and**

(3) Jasper County.

(b) **Except as provided in subsection (h)**, the county council may, by ordinance, determine that additional county adjusted gross income tax revenue is needed in the county to:

(1) finance, construct, acquire, improve, renovate, ~~or~~ equip, **operate, or maintain:**

(A) jail facilities;

(B) juvenile court, detention, and probation facilities;

(C) other criminal justice facilities; and

(D) related buildings and parking facilities;

located in the county, including costs related to the demolition of existing buildings and the acquisition of land; and

(2) repay bonds issued or leases entered into for the purposes described in subdivision (1).

(c) In addition to the rates permitted by section 2 of this chapter, the county council may impose the county adjusted gross income tax at a rate of:

(1) fifteen-hundredths percent (0.15%);

(2) two-tenths percent (0.2%); or

(3) twenty-five hundredths percent (0.25%);

on the adjusted gross income of county taxpayers if the county council makes the finding and determination set forth in subsection (b). The tax imposed under this section may be imposed only until the later of the date on which the financing, construction, acquisition, improvement, renovation, and equipping described in subsection (b) are completed or the date on which the last of any bonds issued or leases entered into to finance the construction, acquisition, improvement, renovation, and equipping described in subsection (b) are fully paid. The term of the bonds issued (including any refunding bonds) or a lease entered into under subsection (b)(2) may not exceed twenty (20) years.

(d) If the county council makes a determination under subsection (b), the county council may adopt a tax rate under subsection (c). The tax rate may not be imposed at a rate greater than is necessary to pay the costs of carrying out the purposes described in subsection (b)(1).

(e) The county treasurer shall establish a criminal justice facilities revenue fund to be used only for purposes described in this section.

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County adjusted gross income tax revenues derived from the tax rate imposed under this section shall be deposited in the criminal justice facilities revenue fund before making a certified distribution under section 11 of this chapter.

(f) County adjusted gross income tax revenues derived from the tax rate imposed under this section:

- (1) may be used only for the purposes described in this section;
- (2) may not be considered by the department of local government finance in determining the county's maximum permissible property tax levy limit under IC 6-1.1-18.5; and
- (3) may be pledged to the repayment of bonds issued or leases entered into for any or all the purposes described in subsection (b).

(g) Notwithstanding any other law, funds accumulated from the county adjusted gross income tax imposed under this section after:

- (1) the completion of the financing, construction, acquisition, improvement, renovation, ~~and~~ equipping, **operation, and maintenance** described in subsection (b);
- (2) the payment or provision for payment of all the costs for activities described in subdivision (1);
- (3) the redemption of bonds issued; and
- (4) the final payment of lease rentals due under a lease entered into under this section;

shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges.

(h) In Jasper County, the additional county adjusted gross income tax revenue may be used only to operate or maintain:

- (1) jail facilities;**
- (2) juvenile court, detention, and probation facilities;**
- (3) other criminal justice facilities; and**
- (4) related buildings and parking facilities;**

located in the county.

SECTION 40. IC 6-8.1-1-1, AS AMENDED BY P.L.214-2005, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the river boat admissions tax (IC 4-33-12); the river boat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) (repealed); the utility receipts ~~tax and utility services use taxes~~ (IC 6-2.3); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted gross income tax

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(IC 6-3.5-1.1) **(repealed)**; the county option income tax (IC 6-3.5-6) **(repealed)**; the county economic development income tax (IC 6-3.5-7) **(repealed)**; the municipal option income tax (IC 6-3.5-8) **(repealed)**; the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); **the county income tax (IC 6-11)**; the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 41. IC 6-9-39 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]:

Chapter 39. County Option Dog Tax

Sec. 1. As used in this chapter, "animal care facility" includes an animal control center, an animal shelter, a humane society, or another animal impounding facility that has as its purpose the humane treatment of animals.

Sec. 2. (a) The fiscal body of a county may adopt an ordinance to impose a tax on dogs that a person harbors or keeps in or near the person's premises in the county, regardless of who owns the dog subject to the tax. The person who harbors or keeps a dog in the county is liable for the tax.

(b) The amount of the tax imposed under this section is equal to five dollars (\$5) per year for each dog subject to the tax.

Sec. 3. If an ordinance adopted under section 2 of this chapter is in effect in a county, the fiscal body of the county may rescind the ordinance imposing the county option dog tax.

Sec. 4. The fiscal body of a county may designate one (1) or more persons in the county to collect the tax imposed under section

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2 of this chapter. A designee may retain a fee from the tax collected for each dog in an amount determined by the fiscal body not to exceed seventy-five cents (\$0.75). A designee shall remit the balance of the money collected to the county treasurer by the tenth day of each month.

Sec. 5. (a) If a county fiscal body adopts an ordinance under section 2 of this chapter, the county treasurer shall establish a county option dog tax fund.

(b) At the time a county option dog tax fund is established under subsection (a), the county treasurer shall establish a canine research account within the county option dog tax fund.

(c) Interest and investment income derived from money in a county option dog tax fund becomes part of the county option dog tax fund.

(d) Money in a county's county option dog tax fund at the end of a calendar year does not revert to the county's general fund.

Sec. 6. (a) A county treasurer that receives county option dog tax revenue under section 4 of this chapter shall deposit the money in the county option dog tax fund according to the following allocation:

- (1) Twenty percent (20%) for the canine research account.
- (2) Eighty percent (80%) for the uses designated by the fiscal body of the county under subsection (c).

(b) If an ordinance adopted under section 2 of this chapter is in effect in a county, the county auditor shall issue a warrant to the treasurer of state for the amount of money accumulated in the canine research account on or before each of the following dates:

- (1) January 31.
- (2) April 30.
- (3) July 31.
- (4) October 31.

If an ordinance adopted under section 2 of this chapter is rescinded under section 3 of this chapter, the county auditor shall issue a warrant to the auditor of state for the amount of money accumulated in the canine research account within ninety (90) days after the date on which the ordinance is rescinded.

(c) The fiscal body of a county that imposes a tax under this chapter may appropriate money in the county option dog tax fund, other than money allocated to the canine research account, for any of the following purposes:

- (1) For the use of animal care facilities.
- (2) For expenses associated with the pick up and disposal of

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1 dead animals.

2 (3) To reimburse farmers for livestock kills.

3 (d) The fiscal body of a county that imposes a tax under this
4 chapter may establish requirements according to which individuals
5 or entities are eligible to receive distributions of money
6 appropriated for a purpose described in subsection (c).

7 Sec. 7. (a) A special canine research account within the state
8 general fund shall be established. Any payments issued to the state
9 under section 6(b) of this chapter shall be deposited in the canine
10 research account in the state general fund.

11 (b) Any income earned on money held in the canine research
12 account established under subsection (a) becomes a part of that
13 account.

14 (c) Any revenue remaining in the canine research account
15 established under subsection (a) at the end of a fiscal year does not
16 revert to the state general fund.

17 (d) There is annually appropriated to the Purdue University
18 School of Veterinary Science and Medicine from the canine
19 research account established under subsection (a) an amount equal
20 to the sum of money deposited in the canine research account
21 during the state fiscal year for its use in conducting canine disease
22 research.

23 (e) On or about January 1 and July 1 of each year, if there is a
24 positive balance in the canine research account established under
25 subsection (a), the auditor of state shall issue a warrant to the
26 Purdue University School of Veterinary Science and Medicine for
27 an amount equal to the amount of money accumulated in the
28 canine research account.

29 Sec. 8. (a) As used in this section, "municipality" has the
30 meaning set forth in IC 36-1-2-11.

31 (b) The fiscal body of a municipality may levy a tax of up to two
32 dollars (\$2) per year for each dog that a person harbors or keeps
33 in or near the person's premises in the municipality, regardless of
34 who owns the dog. The person who harbors or keeps the dog is
35 liable for the tax.

36 (c) The fiscal body of a municipality that imposes a tax under
37 subsection (a) shall determine the manner in which the tax is to be
38 collected. The tax may be expended for any lawful purpose of the
39 municipality.

40 (d) A tax imposed under this section is in addition to a tax
41 imposed under section 2 of this chapter.

42 SECTION 42. IC 6-11 IS ADDED TO THE INDIANA CODE AS

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A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 11. COUNTY INCOME TAX

Chapter 1. Definitions

Sec. 1. The definitions in this chapter, IC 6-1.1, and IC 36-1-2 apply throughout this article.

Sec. 2. The definitions in this chapter, except sections 20 and 22 of this chapter, apply throughout IC 6-1.1-21, IC 6-12, IC 6-13, IC 6-14, IC 6-15, and IC 36-1-8-5.1.

Sec. 3. "Adjusted gross income" has the meaning set forth in IC 6-3-1-3.5.

Sec. 4. "Annual controlled tax increase" refers to the maximum amount by which the controlled taxes imposed for a political subdivision in an ensuing year may exceed the amount of controlled taxes imposed for a political subdivision in the immediately preceding year, as determined under IC 6-11-7.

Sec. 5. "Certified" refers to the certification by the department of a budget, tax, or tax rate under IC 6-13.

Sec. 6. "Controlled" means that a tax or tax rate is subject to the limitations imposed under IC 6-12. The term applies only to the following taxes:

(1) Property taxes (other than property taxes that qualify as excluded taxes).

(2) County income taxes (other than county income taxes that qualify as excluded taxes).

Sec. 7. "Controlled levy limit" refers to the maximum amount of controlled property taxes that are eligible for a state distribution under IC 6-1.1-21 to replace revenue lost from the granting of homestead credits under IC 6-1.1-20.9 and property tax replacement credits under IC 6-1.1-21-5.

Sec. 8. "Controlled tax limit" refers to the maximum total combination of controlled property taxes and controlled income taxes that may be imposed in a county in a year for a political subdivision, as determined under IC 6-12.

Sec. 9. "Council" refers to the county income tax council established in a county under IC 6-11-3.

Sec. 10. "County's total allowable tax increase amounts" refers to the sum of the annual controlled tax increases allowed in a county for each year after 2006.

Sec. 11. "Department" refers to the department of local government finance.

Sec. 12. "Eligible civil taxing unit" refers to a political

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subdivision eligible for a distribution of excluded taxes imposed under IC 6-11-8.

Sec. 13. "Excluded taxes" refers to any part of a:

- (1) property tax levy or property tax rate; or
- (2) county income tax or county income tax rate;

that is not subject to the limitations imposed under IC 6-12.

Sec. 14. "Imposed" refers to:

- (1) with respect to a property tax, the year in which the property tax is first due and payable (or would be first due and payable if the statement for the property taxes had been mailed before the date specified in IC 6-1.1-22-8); and
- (2) with respect to an income tax, the year in which the tax is imposed on adjusted gross income regardless of when the tax is due.

Sec. 15. "Out-of-state resident", as it relates to a particular county, means an individual who:

- (1) is not a resident of the county on the date specified in IC 6-11-4;
- (2) maintains the individual's principal place of business or employment in the county on the date specified in IC 6-11-4; and
- (3) is not a resident of another Indiana county on the date specified in IC 6-11-4.

Sec. 16. "Political subdivision's total allowable tax increase amount" refers to the sum of the annual controlled tax increases allowed in a county for a particular political subdivision for each year after 2006.

Sec. 17. "Property tax" refers to an ad valorem property tax.

Sec. 18. "Rainy day fund" refers to a political subdivision's rainy day fund established under IC 36-1-8-5.1.

Sec. 19. "Resident", as it relates to a particular county, means an individual who resides in the county on the date specified in IC 6-11-4.

Sec. 20. "Tax" refers to a county income tax.

Sec. 21. "Taxable property" means all tangible property that is subject to the tax imposed by IC 6-1.1 and is not exempt from the tax under IC 6-1.1-10 or any other law.

Sec. 22. "Taxpayer" refers to an individual who has tax liability in a county.

Chapter 2. Exempt Political Subdivisions

Sec. 1. This article does not apply to a political subdivision that does not have the power to impose a property tax.

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1 **Sec. 2. A political subdivision that is exempted by this chapter**
 2 **from the application of this article is not eligible for an allocation**
 3 **of county income taxes. However, a political subdivision that is**
 4 **eligible for an allocation of county income taxes may assign any**
 5 **part of the political subdivision's allocation to an entity that is not**
 6 **eligible for an allocation under this article.**

7 **Chapter 3. County Income Tax Council**

8 **Sec. 1. A council is established for each county in Indiana.**

9 **Sec. 2. The membership of each council consists of:**

- 10 (1) the fiscal body of the county;
 11 (2) the fiscal body of each city or town that lies either partially
 12 or entirely in the county; and
 13 (3) the fiscal body of each school corporation that lies
 14 partially or entirely in the county.

15 **Sec. 3. (a) Every council has a total of one hundred fifty (150)**
 16 **votes. The county and each city and town that is located in any part**
 17 **in the county is allocated a percentage of a total of one hundred**
 18 **(100) votes that may be cast. Each school corporation that is**
 19 **located in any part in the county is allocated a percentage of a total**
 20 **of fifty (50) votes that may be cast.**

21 (b) Subject to subsection (d), the percentage of votes that a city
 22 or town is allocated for a year equals the same percentage that the
 23 population of the city or town bears to the population of the
 24 county. In the case of a city or town that lies within more than one
 25 (1) county, the county auditor of each county shall base the
 26 allocations required by subsection (a) on the population of that
 27 part of the city or town that lies within the county for which the
 28 allocations are being made.

29 (c) Subject to subsection (d), the percentage that the county is
 30 allocated for a year equals the same percentage that the population
 31 of all areas in the county not located in a city or town bears to the
 32 population of the county.

33 (d) In the case of Marion County, the county, the consolidated
 34 city, all included towns (as described in IC 36-3-1-7), and the
 35 remainder of the county that is not in an excluded city (as
 36 described in IC 36-3-1-7) shall be treated as one (1) political
 37 subdivision whose fiscal body is the fiscal body of the consolidated
 38 city.

39 (e) The percentage of votes that a school corporation is allocated
 40 for a year equals the same percentage that the population of the
 41 school corporation in the county has to the total population of the
 42 county.

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(f) On or before January 1 of each year (or in 2006, before July 2), the county auditor shall certify to each member of the council the number of votes, rounded to the nearest one hundredth (0.01), the council has for that year.

Sec. 4. A council takes an action by adopting an ordinance.

Sec. 5. Except as otherwise provide in this article, a council may adopt an ordinance to amend or rescind a previously adopted ordinance.

Sec. 6. A member of the council may exercise its votes on the council for or against a proposed ordinance by:

(1) passing a resolution that contains the text of an ordinance being proposed to the council; and

(2) transmitting the resolution to the county auditor of the county.

Sec. 7. A resolution passed by a member of the council exercises all of the votes of the member. Except as permitted by the department, the votes on a resolution may not be changed during the year.

Sec. 8. A resolution must be substantially in the following general form:

"The (insert name of political subdivision's fiscal body) casts its (insert number of political subdivision's votes) votes (for or against) the proposed ordinance of the (insert name of the county) County Income Tax Council, which reads as follows:

(Insert text of ordinance being proposed to members of the council).".

Sec. 9. The text of a resolution and a proposed ordinance contained in a resolution must be substantially in the form prescribed by the department.

Sec. 10. A proposed ordinance adopting, increasing, or decreasing a tax rate must state that the tax rate in the proposed ordinance is subject to adjustment by the department before November 1 of the year, as necessary, to correct any error in the data or computations on which the estimated tax rate is based or to reflect changes in the department's forecast of economic conditions that will affect the amount of taxes raised by the tax rate.

Sec. 11. Subject to this article, a council may adopt an ordinance to do any of the following:

(1) Adopt, amend, or rescind an ordinance adopted under IC 6-11-7-10.

(2) Adopt a tax and set a tax rate for the county under

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1 IC 6-11-8 or IC 6-11-9.

2 (3) Increase or decrease a tax rate imposed in the county
3 under IC 6-11-8 or IC 6-11-9.

4 (4) Rescind a tax imposed under IC 6-11-8 or IC 6-11-9 in the
5 county.

6 (5) Adopt, amend, or rescind any other action authorized
7 under this article.

8 Sec. 12. An ordinance adopted by the council before September
9 16 initially applies to the ensuing year. Unless waived by the
10 department for good cause, an ordinance adopted after September
11 15 in a year initially applies to the year following the year of
12 adoption by two (2) years.

13 Sec. 13. Except as provided by this article, an ordinance adopted
14 by a council remains in effect until the earlier of:

15 (1) the date specified in the ordinance; or

16 (2) the date on which a subsequent ordinance amending or
17 rescinding the ordinance is effective.

18 Sec. 14. Any member of the council may present a proposed
19 ordinance to the council for passage.

20 Sec. 15. (a) A member of the council may present an ordinance
21 to the council for passage by:

22 (1) providing:

23 (A) in the case of a resolution for a proposed ordinance
24 under IC 6-11-7-10, the county auditor and the fiscal
25 officer of each member of the council; and

26 (B) the public;

27 with notice of the date, time, and place that a public hearing
28 will be held on a resolution proposing an ordinance to the
29 council;

30 (2) conducting the public hearing; and

31 (3) after the hearing, passing the resolution proposing the
32 ordinance.

33 (b) The notice required by subsection (a) must be given in
34 accordance with IC 5-3-1.

35 Sec. 16. (a) This section applies only to the hearing conducted
36 for a proposed ordinance under IC 6-11-7-10.

37 (b) Notice must be given under:

38 (1) section 15(a)(1)(A) of this chapter before August 2; and

39 (2) section 15(a)(1)(B) of this chapter before August 7;

40 to be effective for the ensuing year.

41 (c) The hearing required under section 15 of this chapter must
42 be conducted as part of the hearing required under IC 6-13-6.

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1 **Sec. 17.** After passing a resolution proposing an ordinance, a
 2 member initiating the proposed ordinance shall distribute a copy
 3 of the proposed ordinance to the county auditor of the county and
 4 a certified tally of the member's vote on the proposed ordinance.
 5 The county auditor shall treat any proposed ordinance presented
 6 to the county auditor under this section as a casting of all that
 7 member's votes in favor of the proposed ordinance.

8 **Sec. 18.** The county auditor shall deliver copies of a proposed
 9 ordinance that is received from a member under section 17 of this
 10 chapter to all the other members of the council not later than ten
 11 (10) days after receiving the proposed ordinance.

12 **Sec. 19. (a)** Once a member receives a resolution containing a
 13 proposed ordinance from the county auditor, the member shall:

14 (1) provide the public with notice of the date, time, and place
 15 a public hearing will be held on the proposed ordinance;

16 (2) conduct the hearing, except for a resolution for a proposed
 17 ordinance under IC 6-11-7-10 if a hearing has been conducted
 18 as required in section 16 of this chapter; and

19 (3) vote on the proposed ordinance;

20 not later than thirty (30) days after receipt of the proposed
 21 ordinance.

22 **(b)** The notice required by subsection (a) must be given in
 23 accordance with IC 5-3-1.

24 **Sec. 20.** After voting on a resolution concerning a proposed
 25 ordinance received under section 17 of this chapter, a member
 26 voting on the proposed ordinance shall distribute a copy of the
 27 proposed ordinance and a certified tally of the member's vote on
 28 the proposed ordinance to the county auditor.

29 **Sec. 21.** The county auditor shall record all votes taken on
 30 ordinances presented to the members of the council for a vote.

31 **Sec. 22.** The county auditor shall treat the ordinance as adopted
 32 if the proposed ordinance receives at least seventy-six (76) votes
 33 from the members of the council.

34 **Sec. 23.** If the council adopts an ordinance, the county auditor
 35 shall immediately send a certified copy of the:

36 (1) ordinance; and

37 (2) results of the vote on the ordinance;

38 to the department and the department of state revenue by certified
 39 mail.

40 **Sec. 24.** Not later than ten (10) days after an ordinance is
 41 adopted, the county auditor shall publish a notice of the action
 42 under IC 5-3-1.

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Chapter 4. Determination of Residency

Sec. 1. For purposes of this article, an individual shall be treated as a resident of the county in which the individual:

- (1) maintains a home, if the individual maintains only one (1) home in Indiana;**
- (2) if subdivision (1) does not apply, is registered to vote;**
- (3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or**
- (4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time spent in Indiana during the taxable year in question.**

Sec. 2. Subject to section 3 of this chapter, the residence or principal place of business or employment of an individual is to be determined on January 1 of the year in which the individual's taxable year commences. If an individual changes the location of the individual's residence or principal place of employment or business to another county in Indiana during a year, the individual's liability for the tax is not affected.

Sec. 3. If an individual becomes a resident for purposes of IC 36-7-27 during a year because the individual:

- (1) changes the location of the individual's residence to a county in which the individual begins employment or business at a qualified economic development tax project (as defined in IC 36-7-27-9); or**
- (2) changes the location of the individual's principal place of employment or business to a qualified economic development tax project and does not reside in another county in which the tax is in effect;**

the individual's adjusted gross income attributable to employment or business at the qualified economic development tax project is taxable only by the county containing the qualified economic development tax project.

Chapter 5. Exempt Taxpayers

Sec. 1. A council may pass an ordinance to enter into reciprocity agreements with the taxing authority of a city, town, municipality, county, or other similar local governmental entity of any other state. A reciprocity agreement must provide that the income of Indiana residents is exempt from income taxation by the other local governmental entity to the extent income of the out-of-state residents who reside in the other local governmental entity is exempt from the tax in the Indiana county entering into the agreement.

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1 **Sec. 2.** A reciprocity agreement adopted under this section may
 2 not become effective until it is also made effective in the other local
 3 governmental entity that is a party to the agreement.

4 **Sec. 3.** The form and effective date of any reciprocity agreement
 5 described in this section must be approved by the department of
 6 state revenue.

7 **Chapter 6. Imposition of Tax**

8 **Sec. 1.** A county income tax is imposed in each county.

9 **Sec. 2.** The tax is imposed on the adjusted gross income of:

10 (1) each resident of; and

11 (2) each out-of-state resident who maintains the individual's
 12 principal place of business or employment in;
 13 the county for which the council is established.

14 **Sec. 3.** The tax on an out-of-state resident may be imposed only
 15 on the part of the out-of-state resident's adjusted gross income that
 16 is derived from the individual's principal place of business or
 17 employment.

18 **Sec. 4.** In the case of a resident of Perry County, the tax may not
 19 be imposed on the part of the individual's adjusted gross income
 20 that is:

21 (1) earned in a county that is:

22 (A) located in another state; and

23 (B) adjacent to the county in which the taxpayer resides;
 24 and

25 (2) subject to an income tax imposed by a county, city, town,
 26 or other local governmental entity in the other state.

27 **Sec. 5.** The tax rate imposed in a county is the sum of the
 28 following:

29 (1) The tax rate imposed under IC 6-11-7.

30 (2) The tax rate imposed under IC 6-11-8.

31 (3) The tax rate imposed under IC 6-11-9.

32 **Sec. 6.** If for any taxable year a taxpayer is subject to different
 33 tax rates for the tax imposed by a particular county, the taxpayer's
 34 tax rate for the county and that taxable year is the rate determined
 35 in STEP THREE of the following STEPS:

36 **STEP ONE:** Multiply the number of months in the taxpayer's
 37 taxable year that precede July 1 by the rate in effect before
 38 the rate change.

39 **STEP TWO:** Multiply the number of months in the taxpayer's
 40 taxable year that follow June 30 by the rate in effect after the
 41 rate change.

42 **STEP THREE:** Divide the sum of the amounts determined

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under STEPS ONE and TWO by twelve (12).

Sec. 7. If the tax is not in effect during a taxpayer's entire taxable year, the amount of tax that the taxpayer owes for that taxable year equals the product of:

(1) the amount of tax the taxpayer would owe if the tax had been imposed during the taxpayer's entire taxable year; multiplied by

(2) a fraction. The numerator of the fraction equals the number of days in the taxpayer's taxable year during which the county option income tax was in effect. The denominator of the fraction equals the total number of days in the taxpayer's taxable year.

However, if the taxpayer files state income tax returns on a year basis, the fraction to be applied under this section is one-half (1/2).

Chapter 7. Tax Rate to Fund Controlled Tax Increases

Sec. 1. Except as provided in section 10 of this chapter, in each year, in addition to the part of the tax rate in effect in the county under IC 6-11-8 or IC 6-11-9, or both, a tax is imposed in each county at the rate necessary to raise the county's total allowable tax increase amount.

Sec. 2. The department, with the assistance of the department of state revenue and the budget agency, shall establish the rate required under section 1 of this chapter based on the best available economic forecast data available to the department before the later of November 1 or the date set by the department.

Sec. 3. The total tax imposed under section 1 of this chapter shall be treated as a controlled tax.

Sec. 4. For purposes of this chapter, a county's total allowable tax increase amount under this chapter is equal to the sum of each political subdivision's total allowable tax increase amounts allowed in the county after 2006.

Sec. 5. For purposes of this chapter, a political subdivision's total allowable tax increase amount under this chapter is equal to the sum of the annual controlled tax increase amounts allowed in the county for the political subdivisions in each year after 2006.

Sec. 6. For purposes of this chapter, a political subdivision's annual controlled tax increase in a county for any particular year is the amount determined under STEP THREE of the following formula:

STEP ONE: Subtract the political subdivision's controlled tax limit in the county for the immediately preceding year from the political subdivision's controlled tax limit in the county for

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the ensuing year.

STEP TWO: Subtract the political subdivision's controlled levy limit in the county for the immediately preceding year from the political subdivision's controlled levy limit in the county for the ensuing year.

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

Sec. 7. Subject to section 8 of this chapter, a negative result for a political subdivision under section 6 of this chapter reduces the political subdivision's total allowable tax increase amount that may be funded from taxes imposed under this chapter.

Sec. 8. A political subdivision's total allowable tax increase amount under this chapter may not be less than zero (0).

Sec. 9. (a) This section applies to a school corporation.

(b) A separate annual controlled tax increase and total allowable tax increase amount shall be computed for each of the following:

(1) A school corporation's school general fund and charter schools taxes imposed under IC 6-1.1-19-1.5.

(2) A school corporation's transportation fund taxes imposed under IC 21-2-11.5-3.

(3) A school corporation's school bus replacement fund taxes imposed under IC 21-2-11.5-3.

(c) None of the separate school corporation's total allowable tax increase amounts under subsection (b) may be less than zero (0).

Sec. 10. Subject to section 11 of this chapter, instead of funding all of a county's total allowable tax increase amount from county income taxes, a council may adopt an ordinance to fund the annual controlled tax increases attributable to one (1) or more years from controlled property taxes. Adoption of the ordinance does not increase the controlled levy limit of any political subdivision in the county. Notice of the proposed ordinance must be given under IC 6-11-3-15 before the date specified in IC 6-11-3-16. If an ordinance adopted under this section applies to the annual controlled tax increases attributable to a particular year the ordinance must require that all of the annual controlled tax increases attributable to the particular year be funded by controlled property taxes.

Sec. 11. A council, either through an ordinance terminating a tax or an ordinance reducing the tax rate, may not decrease a tax imposed under this chapter below the tax rate necessary to continue the part of an allocation of taxes to a political subdivision

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1 that the political subdivision has pledged to pay or fund bonds,
2 leases, or another obligation permitted by IC 5-1-14 or another
3 law.

4 Sec. 12. Subject to IC 6-13-22-11 concerning the treatment of
5 distributions to a county that qualify as excess revenue, the part of
6 the tax imposed under this chapter is allocated among the political
7 subdivisions in the county in proportion to the part of the county's
8 total allowable tax increase amount that is:

- 9 (1) attributable to each political subdivision; and
10 (2) funded by taxes under this article.

11 Any annual controlled tax increase that is not funded by taxes
12 under this chapter as the result of the adoption of an ordinance
13 under section 10 of this chapter may not be considered in
14 determining a political subdivision's allocation of taxes under this
15 section.

16 Sec. 13. Subject to any law limiting the use of a political
17 subdivision's revenues, a political subdivision may use taxes
18 allocated to a political subdivision under this chapter for any
19 governmental or public purpose, including any purpose for which
20 a county adjusted gross income tax, a county option income tax, or
21 a county economic development tax could be used before 2007.

22 Sec. 14. The county auditor shall retain from taxes allocated to
23 a political subdivision under this chapter an amount equal to any:

- 24 (1) reserve or settlement required under IC 6-11-13;
25 (2) assignment authorized under IC 6-11-14; or
26 (3) special allocation authorized under IC 6-11-15;

27 that is payable from taxes imposed under this chapter in the
28 manner and under the schedule determined under IC 6-11-13.

29 Sec. 15. The remainder of an allocation of taxes imposed under
30 this chapter shall be distributed to the political subdivisions in the
31 county in the manner and under the schedule determined under
32 IC 6-11-13.

33 Sec. 16. A political subdivision shall deposit the amount
34 distributed to the political subdivision under this chapter among
35 the funds of the political subdivision as provided in the political
36 subdivision's budget for the year in which the tax being distributed
37 was imposed, including any amount budgeted for deposit in the
38 political subdivision's rainy day fund. Money deposited in a fund
39 under this section may be used for any purpose for which money
40 in the fund may be used or transferred to another fund as
41 authorized by law.

42 Sec. 17. The amount raised under this chapter and retained by

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a county auditor as an assignment or a special allocation may be used only for the purposes of the assignment or the special allocation.

Sec. 18. Subject to IC 6-13-22-11 concerning excess revenue, an amount retained in excess of the amount necessary for the purposes of a reserve, a settlement, an assignment, or a special allocation shall be distributed to the political subdivision from which the amount was retained. The amount distributed under this section does not reduce the controlled tax limit or allocation amount for a political subdivision in any year.

Chapter 8. Optional Additional Income Tax

Sec. 1. In addition to a tax in effect in the county under IC 6-11-7 or IC 6-11-9, or both, a council may adopt an additional tax under this chapter for the county.

Sec. 2. The tax rate imposed for a tax under this chapter in a county may not exceed the greater of the following:

(1) One percent (1%).

(2) The rate determined under sections 5 and 6 of this chapter, if sections 5 and 6 of this chapter apply to the county.

Sec. 3. A tax imposed under section 1 of this chapter (including a tax described in section 4 of this chapter) shall be treated as an excluded tax.

Sec. 4. An ordinance adopted in a county before April 1, 2006, that would have initially imposed any of the following in 2007 or authorized the continuation of any of the following after 2006 if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed shall be treated after 2006 as an ordinance adopted under section 1 of this chapter:

(1) County adjusted gross income tax.

(2) County option income tax.

(3) County economic development tax.

Sec. 5. Subject to the reductions under section 6 of this chapter, the tax rate imposed in 2007 under section 4 of this chapter is equal to the combined:

(1) county adjusted gross income tax rate or county option income tax; and

(2) county economic development rate;

that the county would have imposed in 2007 (after deducting any part of the tax rate attributable to a law listed in IC 6-11-9-11) if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed.

Sec. 6. Section 4 of this chapter does not prohibit a council from adopting an ordinance after June 30, 2006, to increase the tax rate

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determined under section 5 of this chapter as long as the total tax rate imposed under this chapter does not exceed the maximum rate specified in section 2 of this chapter.

Sec. 7. Taxes imposed under this chapter shall be allocated among the civil taxing units in the county based on the formulas described in the following:

OPTION	DESCRIPTION
Option 1	Section 18 of this chapter.
Option 2	Section 19 of this chapter.
Option 3	Section 20 of this chapter.
Option 4	Section 21 of this chapter.
Option 5	Section 22 of this chapter.

Sec. 8. The formulas to be applied in a county depends on the:

- (1) combination of county adjusted gross income taxes, county option income taxes, and county economic development taxes imposed in the county in 2006; and
- (2) elections adopted by the council after June 30, 2006.

Sec. 9. The department shall establish five (5) tax option ratios for each county.

Sec. 10. The sum of the ratios established under section 9 of this chapter must add to one (1).

Sec. 11. (a) This section applies to a county that would not have received a certified distribution of county adjusted gross income tax, county option income tax, or county economic development tax in 2007 if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed.

(b) The county's tax option ratios are as follows:

OPTION	RATIO
Option 1	1
Option 2	0
Option 3	0
Option 4	0
Option 5	0

(c) The eligible civil units are the following:

- (1) Any political subdivision that has the power to impose a property tax, other than a school corporation or a county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113).
- (2) A county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113) if a majority of the members of

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each of the county fiscal bodies of the counties within the district passes a resolution approving an allocation of taxes under this chapter.

(d) An eligible civil unit's allocation factor for a year is the eligible civil taxing unit's controlled tax limit for a year.

(e) The tax imposed under this chapter shall be allocated under Option 1 in section 18 of this chapter.

Sec. 12. (a) This section applies to a county that would have received a certified distribution of county adjusted gross income tax, county option income tax, or county economic development tax in 2007 if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed.

(b) Subject to section 10 of this chapter, the tax option ratios that apply in the county are:

- (1) the ratios adopted by the council by ordinance; or
- (2) the ratios determined under sections 13 through 17 of this chapter, if subdivision (1) does not apply.

Sec. 13. (a) The Option 1 ratio in a county is:

(1) if the county received a 2006 certified distribution of county option income taxes that was distributed under IC 6-3.5-6-18(e) and also received a 2006 certified distribution of county economic development taxes, the quotient determined by dividing:

(A) the county option income tax rate, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, that would have been in effect in the county in 2007 and distributed under IC 6-3.5-6-18(e) if IC 6-3.5-6 had not been repealed; by

(B) the sum of the county adjusted gross income tax rate, county option income tax rate, and county economic development income tax rate that would have been in effect in the county in 2007, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed;

(2) if the county did not receive a 2006 certified distribution of county option income taxes that was distributed under IC 6-3.5-6-18(e), zero (0); and

(3) if the county received a 2006 certified distribution of county option income taxes that was distributed under IC 6-3.5-6-18(e), and did not receive a 2006 certified distribution of county economic development taxes, one (1).

(b) The Option 1 eligible civil units are the following:

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(1) Any political subdivision that has the power to impose a property tax, other than a school corporation or a county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113).

(2) A county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113) if a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving an allocation of taxes under this chapter.

A resolution passed under IC 6-3.5-6-1.3 (before its repeal) that would have applied to a distribution of county adjusted gross income taxes or county option income taxes in 2007 if IC 6-3.5-1.1 and IC 6-3.5-6 had not been repealed shall be treated as a resolution adopted under section 1 of this chapter.

(c) An Option 1 eligible civil unit's allocation factor for a year is the sum of the following:

(1) The eligible civil taxing unit's controlled tax limit for a year.

(2) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the property taxes imposed on taxable property by the county in 1999 for the county's welfare fund and welfare administration fund in the county.

(3) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the property taxes levied in the county to fund or pay bonded indebtedness, lease rentals, or other obligations permitted by IC 5-1-14 or another law that were issued or entered into before July 1, 2005, including any refunding bonds or successor leases to the extent that the term does not exceed the term of the original obligation.

(4) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the lesser of the fixed rate levies (as defined in IC 6-15-1-3) imposed on taxable

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property by the civil taxing unit in the county in:

(A) the year of distribution; or

(B) 2006.

Sec. 14. (a) The Option 2 ratio in a county is equal to:

(1) if the county received a 2006 certified distribution of county option income taxes that was distributed under IC 6-3.5-6-18.5 (repealed), one (1); or

(2) if the county did not receive a 2006 certified distribution of county option income taxes that was distributed under IC 6-3.5-6-18.5 (repealed), zero (0).

(b) The Option 2 eligible civil units are any entity that would have been eligible to receive a distribution under IC 6-3.5-6-18.5 if IC 6-3.5-6 had not been repealed.

(c) An Option 2 eligible civil unit's allocation factor for a year is the sum of the following:

(1) The eligible civil taxing unit's controlled tax limit for a year.

(2) For an eligible civil taxing unit in a county that received a certified distribution of county economic development income taxes in 2006, an amount equal to the property taxes imposed on taxable property by the county in 1999 for the county's welfare fund and welfare administration fund in the county.

Sec. 15. (a) The Option 3 ratio in a county is equal to:

(1) if the county received a 2006 certified distribution of county adjusted gross income taxes and also received a 2006 certified distribution of county economic development taxes, the quotient determined by dividing:

(A) the county adjusted gross income tax rate, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, that would have been in effect in the county in 2007 and distributed under IC 6-3.5-1.1-15 if IC 6-3.5-1.1 had not been repealed; by

(B) the sum of the county adjusted gross income tax rate, county option income tax rate, and county economic development income tax rate that would have been in effect in the county in 2007, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed;

(2) if the county did not receive a 2006 certified distribution of county adjusted gross income taxes, zero (0); or

(3) if the county received a 2006 certified distribution of county adjusted gross income taxes but did not receive a 2006

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certified distribution of county economic income taxes, one
(1).

(b) The Option 3 eligible civil units are the following:

(1) Any political subdivision that has the power to impose a property tax, other than a school corporation or a county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113).

(2) A county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113) if a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving an allocation of taxes under this chapter.

A resolution passed under IC 6-3.5-1.1-1.3 (before its repeal) that would have applied to a distribution of county adjusted gross income taxes or county option income taxes in 2007 if IC 6-3.5-1.1 and IC 6-3.5-6 had not been repealed shall be treated as a resolution adopted under section 1 of this chapter.

(c) An Option 3 eligible civil unit's allocation factor for a year is the sum of the following:

(1) The eligible civil taxing unit's controlled tax limit for a year.

(2) The controlled tax limit for a year of any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the eligible civil taxing unit.

(3) The amount of federal revenue sharing funds and certified shares that were used by the eligible civil taxing unit (or any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the eligible civil taxing unit) to reduce its ad valorem property tax levies below the limits imposed by IC 6-1.1-18.5 (repealed) in 2006.

(4) For a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the property taxes imposed on taxable property by the county in 1999 for the county's welfare fund and welfare administration fund in the county.

Sec. 16. (a) The Option 4 ratio in a county is equal to:

(1) if the county also received a 2006 certified distribution of

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county economic development income taxes that was distributed under IC 6-3.5-7-12(b) and also received a 2006 certified distribution of county adjusted gross income taxes or county option income taxes, the quotient determined by dividing:

(A) the county economic development income tax rate, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, that would have been in effect in the county in 2007 and distributed under IC 6-3.5-7-12(b) if IC 6-3.5-7 had not been repealed; by

(B) the sum of the county adjusted gross income tax rate, county option income tax rate, and county economic development income tax rate that would have been in effect in the county in 2007, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed;

(2) if the county did not receive a 2006 certified distribution of county economic development income taxes, zero (0);

(3) if the county received a 2006 certified distribution of county economic development income taxes that was distributed under IC 6-3.5-7-12(c), zero (0); or

(4) if the county received a 2006 certified distribution of county economic development income taxes that was distributed under IC 6-3.5-7-12(b) but did not receive a 2006 certified distribution of county adjusted gross income tax or county option income tax, one (1).

(b) The Option 4 eligible civil units are the following:

(1) The county.

(2) Each city and town in the county.

(c) An Option 4 eligible civil unit's allocation factor for a year is the sum of the following:

(1) The eligible civil taxing unit's controlled tax limit for a year.

(2) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the property taxes imposed on taxable property by the county in 1999 for the county's welfare fund and welfare administration fund in the county.

(3) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes,

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county option income taxes, or county economic development income taxes in 2006, an amount equal to the property taxes levied in the county to fund or pay bonded indebtedness, lease rentals, or other obligations permitted by IC 5-1-14 or another law that were issued or entered into before July 1, 2005, including any refunding bonds or successor leases to the extent that the term does not exceed the term of the original obligation.

(4) For an eligible civil taxing unit in a county that received a certified distribution of county adjusted gross income taxes, county option income taxes, or county economic development income taxes in 2006, an amount equal to the lesser of the fixed rate levies (as defined in IC 6-15-1-3) imposed on taxable property by the civil taxing unit in the county in:

(A) the year of distribution; or

(B) 2006.

Sec. 17. (a) The Option 5 ratio in a county is equal to:

(1) if the county received a 2006 certified distribution of county economic development income taxes that was distributed under IC 6-3.5-7-12(c) and also received a 2006 certified distribution of county adjusted gross income taxes or county option income taxes, the quotient determined by dividing:

(A) the county economic development income tax rate, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, that would have been in effect in the county in 2007 and distributed under IC 6-3.5-7-12(c) if IC 6-3.5-7 had not been repealed; by

(B) the sum of the county adjusted gross income tax rate, county option income tax rate, and county economic development income tax rate that would have been in effect in the county in 2007, excluding any part of the rate attributable to a law listed in IC 6-11-9-11, if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed;

(2) if the county did not receive a 2006 certified distribution of county economic development income taxes, zero (0);

(3) if the county received a 2006 certified distribution of county economic development income taxes that was distributed under IC 6-3.5-7-12(b), zero (0); or

(4) if the county received a 2006 certified distribution of county economic development income taxes that was distributed under IC 6-3.5-7-12(c) but did not receive a 2006

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certified distribution of county adjusted gross income tax or county option income tax, one (1).

(b) The Option 5 eligible civil units are the following:

(1) The county.

(2) Each city and town in the county.

(c) An Option 5 eligible civil unit's allocation factor for a year is the eligible civil unit's population. For the purpose of applying this subsection to a county, only the population of the county in an unincorporated area shall be attributed to the county.

Sec. 18. The amount allocated to an eligible civil taxing unit under Option 1 is the amount determined under STEP SIX of the following formula:

STEP ONE: Determine the amount of revenue to be distributed under this chapter.

STEP TWO: Multiply the STEP ONE amount by the county's Option 1 ratio.

STEP THREE: Determine the Option 1 allocation factor for the eligible civil taxing unit for the year of distribution.

STEP FOUR: Determine the sum of the Option 1 allocation factors for all eligible civil units in the county for the year of distribution.

STEP FIVE: Divide the STEP THREE result by the STEP FOUR result.

STEP SIX: Multiply the STEP FIVE result by the STEP TWO amount.

Sec. 19. The amount allocated to an eligible civil taxing unit under Option 2 is the amount determined using STEP NINE of the following formula:

STEP ONE: Determine the total amount of revenues that were distributed as distributive shares under IC 6-3.5-6-18.5 (repealed) in 1995.

STEP TWO: Determine the amount of revenue from taxes imposed under this chapter in the current year.

STEP THREE: Subtract the STEP ONE result from the STEP TWO result.

STEP FOUR: If the STEP THREE result is less than or equal to zero (0), multiply the STEP TWO result by the ratio established under this chapter.

STEP FIVE: Determine the ratio of:

(A) the Option 2 allocation factor for the eligible civil taxing unit; divided by

(B) the sum of the Option 2 allocation factors for all

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1 eligible civil taxing units of the county during the current
 2 year.
 3 **STEP SIX:** If the **STEP THREE** result is greater than zero
 4 (0), the **STEP ONE** amount shall be distributed by multiplying
 5 the **STEP ONE** amount by the ratio established under this
 6 chapter.
 7 **STEP SEVEN:** For each eligible civil taxing unit determine
 8 the **STEP FIVE** ratio multiplied by the **STEP TWO** amount.
 9 **STEP EIGHT:** For each eligible civil taxing unit determine
 10 the difference between the **STEP SEVEN** amount minus the
 11 product of the **STEP ONE** amount multiplied by the ratio
 12 established under this chapter. The **STEP THREE** excess shall
 13 be distributed as provided in **STEP NINE** only to the eligible
 14 civil taxing units that have a **STEP EIGHT** difference greater
 15 than or equal to zero (0).
 16 **STEP NINE:** For the eligible civil taxing units qualifying for
 17 a distribution under **STEP EIGHT**, each eligible civil taxing
 18 unit's share equals the **STEP THREE** excess multiplied by the
 19 ratio of:
 20 (A) the **Option 2** allocation factor for the eligible civil
 21 taxing unit; divided by
 22 (B) the sum of the **Option 2** allocation factors for all
 23 eligible civil taxing units of the county during the current
 24 year.
 25 **Sec. 20.** The amount allocated to an eligible civil taxing unit
 26 under **Option 3** is the amount determined under **STEP SIX** of the
 27 following formula:
 28 **STEP ONE:** Determine the amount of revenue to be
 29 distributed under this chapter.
 30 **STEP TWO:** Multiply the **STEP ONE** amount by the county's
 31 **Option 3** ratio.
 32 **STEP THREE:** Determine the **Option 3** allocation factor for
 33 the eligible civil taxing unit for the year of distribution.
 34 **STEP FOUR:** Determine the sum of the **Option 3** allocation
 35 factors for all eligible civil units in the county for the year of
 36 distribution.
 37 **STEP FIVE:** Divide the **STEP THREE** result by the **STEP**
 38 **FOUR** result.
 39 **STEP SIX:** Multiply the **STEP FIVE** result by the **STEP TWO**
 40 result.
 41 **Sec. 21.** The amount allocated to an eligible civil taxing unit
 42 under **Option 4** is the amount determined under **STEP SIX** of the

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1 following formula:

2 STEP ONE: Determine the amount of revenue to be
3 distributed under this chapter.

4 STEP TWO: Multiply the STEP ONE amount by the county's
5 Option 4 ratio.

6 STEP THREE: Determine the Option 4 allocation factor for
7 the eligible civil taxing unit for the year of distribution.

8 STEP FOUR: Determine the sum of the Option 4 allocation
9 factors for all eligible civil units in the county for the year of
10 distribution.

11 STEP FIVE: Divide the STEP THREE result by the STEP
12 FOUR result.

13 STEP SIX: Multiply the STEP FIVE result by the STEP TWO
14 amount.

15 Sec. 22. The amount allocated to an eligible civil taxing unit
16 under Option 5 is the amount determined under STEP SIX of the
17 following formula:

18 STEP ONE: Determine the amount of revenue to be
19 distributed under this chapter.

20 STEP TWO: Multiply the STEP ONE amount by the county's
21 Option 5 ratio.

22 STEP THREE: Determine the Option 5 allocation factor for
23 the eligible civil taxing unit for the year of distribution.

24 STEP FOUR: Determine the sum of the Option 5 allocation
25 factors for all eligible civil units in the county for the year of
26 distribution.

27 STEP FIVE: Divide the STEP THREE result by the STEP
28 FOUR result.

29 STEP SIX: Multiply the STEP FIVE result by the STEP TWO
30 amount.

31 Sec. 23. A council, either through an ordinance terminating a
32 tax or an ordinance reducing the tax rate, may not decrease a tax
33 imposed under this chapter below the tax rate necessary to
34 continue the part of an allocation of taxes to a civil taxing unit that
35 the civil taxing unit has pledged to pay or fund bonds, leases, or
36 another obligation permitted by IC 5-1-14 or another law. For
37 purposes of this section, a pledge of county adjusted gross income
38 taxes (before the repeal of IC 6-3.5-1 or IC 6-3.5-1.1), county
39 option income taxes (before the repeal of IC 6-3.5-6), or county
40 economic development taxes (before the repeal of IC 6-3.5-7) shall
41 be treated as a pledge of an allocation of taxes under this chapter.

42 Sec. 24. Subject IC 6-13-19 or any other law limiting the use of

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a civil taxing unit's revenues, a civil taxing unit may use taxes allocated to a civil taxing unit under this chapter for any governmental or public purpose, including any purpose for which a county adjusted gross income tax, a county option income tax, or a county economic development tax could be used before 2007.

Sec. 25. The county auditor shall retain from taxes allocated to a civil taxing unit under this chapter an amount equal to any:

- (1) reserve or settlement under IC 6-11-13;
- (2) assignment under IC 6-11-14; or
- (3) special allocation under IC 6-11-16;

that is payable from taxes imposed under this chapter in the manner and under the schedule determined under IC 6-11-13.

Sec. 26. The remainder of an eligible civil unit's allocation of taxes imposed under this chapter shall be distributed to the eligible civil taxing unit in the manner and under the schedule determined under IC 6-11-13.

Sec. 27. An eligible taxing unit shall deposit the amount distributed to the political subdivision under this chapter as provided in the budget for the year among the funds of the year in which the distributed taxes were imposed, including any amount budgeted for deposit in the political subdivision's rainy day fund. Money deposited in a fund under this section may be used for any purpose for which money in the fund may be used or transferred to another fund as authorized by law.

Sec. 28. The amount raised under this chapter and retained by a county auditor as an assignment or a special allocation may be used only for the purposes of the assignment or the special allocation.

Sec. 29. Subject to IC 6-13-22-11 concerning excess revenue, an amount retained in excess of the amount necessary for the purposes of a reserve, a settlement, an assignment, or a special allocation shall be distributed to the civil taxing unit from which the amount was retained. The amount distributed under this section does not reduce the controlled tax limit or allocation amount for a civil taxing unit in any year.

Chapter 9. Excluded Taxes

Sec. 1. In addition to the tax rate in effect in the county under IC 6-11-7 or IC 6-11-8, or both, the governing body specified in any of the following may adopt an additional tax rate for the county under this chapter.

Sec. 2. An additional tax rate adopted under this chapter (including a tax described in section 3 of this chapter) shall be

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1 treated as an excluded tax.

2 Sec. 3. An ordinance adopted in a county before April 1, 2006,
3 that would have imposed any of the additional rates listed in
4 IC 6-11-9-11 after 2006 if IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7
5 had not been repealed shall be treated after 2006 as an ordinance
6 adopted under section 1 of this chapter.

7 Sec. 4. The tax rate imposed under section 3 of this chapter is
8 equal to the combined total of the additional tax rates listed in
9 IC 6-11-9-11 that the county would have imposed in 2007 if
10 IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7 had not been repealed.

11 Sec. 5. The tax rate imposed under section 3 of this chapter
12 applies to 2007 and each year thereafter until the earlier of the
13 following:

14 (1) The tax expires by law.

15 (2) The tax is rescinded or the tax rate is reduced by the
16 council under this article.

17 Sec. 6. A fiscal body or council, either through an ordinance
18 terminating a tax or an ordinance reducing the tax rate, may not
19 decrease an excluded tax imposed under this chapter below the tax
20 rate necessary to continue the part of an allocation of taxes to a
21 political subdivision that the political subdivision has pledged to
22 pay or fund bonds, leases, or another obligation permitted by
23 IC 5-1-14 or another law. For purposes of this section, a pledge of
24 county adjusted gross income taxes (before the repeal of IC 6-3.5-1
25 or IC 6-3.5-1.1), county option income taxes (before the repeal of
26 IC 6-3.5-6), or county economic development taxes (before the
27 repeal of IC 6-3.5-7) under a law listed in IC 6-11-9-11 shall be
28 treated as a pledge of an allocation of taxes under this article.

29 Sec. 7. The county auditor shall retain from the distribution of
30 taxes made to the county the amount of each excluded tax imposed
31 in the county.

32 Sec. 8. The amount raised by an excluded tax, after deducting
33 any necessary reserves and settlements under IC 6-11-13, may be
34 used only for the purposes allowed under the law under which it
35 was imposed or its successor law. Any amount raised in excess of
36 the amount necessary for the purposes of the excluded tax shall be
37 treated as excess revenue under IC 6-13-22-11 and applied to
38 reduce the excluded tax rate for the following year or the later year
39 determined by the department. Except as otherwise provided by
40 law, IC 36-1-8-5 applies to an unused and unencumbered balance
41 remaining from an excluded tax when the purposes for the
42 excluded tax have been fulfilled.

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1 Sec. 9. (a) Except to the extent waived for a year by the
2 department, an additional tax rate is imposed in each county at the
3 lesser of the following:

4 (1) The rate necessary, after deducting any amount being
5 raised as property taxes to replace money in a rainy day fund
6 used as a temporary loan to a debt service fund, to maintain
7 the balance of the rainy day funds of each political subdivision
8 at six percent (6%) of the budget in the immediately
9 preceding year for the political subdivision in the county; or
10 (2) twenty percent (20%) of the increase in the tax rate
11 imposed in the county under IC 6-11-7.

12 (b) The additional rate under this section is an excluded tax.

13 (c) The county auditor shall retain the amount of the additional
14 tax rate under this section as a special allocation. The retained
15 amount shall be allocated among political subdivisions for deposit
16 in each political subdivision's rainy day fund in proportion to the
17 controlled tax limits for each political subdivision in the county
18 until the political subdivision's rainy day fund balance is at least six
19 percent (6%) of the political subdivision's controlled tax limit.

20 (d) The council may adopt an ordinance to increase the
21 additional tax imposed under this section. The county auditor shall
22 retain the amount of the additional tax rate under this subsection
23 as a special allocation. The retained amount shall be allocated
24 among political subdivisions for deposit in each political
25 subdivision's rainy day fund in proportion to the controlled tax
26 limits of each political subdivision in the county.

27 Sec. 10. (a) This section applies to any county, regardless of
28 whether the county has adopted an ordinance under:

29 (1) IC 6-11-15 to provide additional property tax replacement
30 credits or homestead credits from the part of a tax that is a
31 controlled tax imposed under IC 6-11-7;

32 (2) IC 6-11-16 to provide additional property tax replacement
33 credits or homestead credits from the part of an optional
34 additional county income tax imposed as an excluded tax
35 under IC 6-11-8; or

36 (3) another provision of this chapter to provide additional
37 property tax replacement credits or homestead credits.

38 (b) In addition to any other additional tax rate imposed under
39 this article, a council may adopt an additional tax rate to replace
40 revenue lost to a political subdivision as the result of granting an
41 additional homestead credit under this section. A county that
42 adopted an ordinance under IC 6-3.5-7-26 (before its repeal) shall

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1 be treated as if the county adopted an ordinance under this section.
 2 The amount of the additional tax is an excluded tax.

3 (c) The additional tax rate may not exceed twenty-five
 4 hundredths of one percent (0.25%).

5 (d) An additional homestead credit is established in each county
 6 to which this section applies to offset the effect on homesteads in
 7 the county resulting from the statewide deduction for inventory
 8 under IC 6-1.1-12-42. The department shall set the percentage of
 9 the homestead credit so that the total amount of additional
 10 homestead credits granted equals the amount of the additional tax
 11 collected under this section. The homestead credit adopted under
 12 this section shall be applied as specified in the ordinance. The
 13 ordinance may provide that the additional tax be:

14 (1) uniformly applied to increase the homestead credit
 15 granted under IC 6-1.1-20.9 for all homesteads in the county;
 16 or

17 (2) applied to increase the homestead credit granted under
 18 IC 6-1.1-20.9 for all homesteads in the county in the same
 19 proportion as the amount of inventory assessed value
 20 deducted under IC 6-1.1-12-42 in the taxing district for the
 21 immediately preceding year's assessment date bears to the
 22 total inventory assessed value deducted under IC 6-1.1-12-42
 23 in the county for the immediately preceding year's assessment
 24 date.

25 (e) The county auditor shall retain the amount necessary for the
 26 homestead credit as a special allocation. The retained amount shall
 27 be allocated among political subdivisions in proportion to property
 28 tax revenue lost as the result of granting additional homestead
 29 credits under this section.

30 (f) Money received under this section shall be treated for all
 31 purposes as property tax levies.

32 Sec. 11. (a) This section applies to an additional tax imposed
 33 under any of the following before April 1, 2006, and that would
 34 have been in effect for a year after 2006 if IC 6-3.5-1.1, IC 6-3.5-6,
 35 and IC 6-3.5-7 had not been repealed:

- 36 (1) IC 6-3.5-1.1-2.5 (repealed).
- 37 (2) IC 6-3.5-1.1-2.7 (repealed).
- 38 (3) IC 6-3.5-1.1-2.8 (repealed).
- 39 (4) IC 6-3.5-1.1-2.9 (repealed).
- 40 (5) IC 6-3.5-1.1-3.3 (repealed).
- 41 (6) IC 6-3.5-1.1-3.5 (repealed).
- 42 (7) IC 6-3.5-1.1-3.6 (repealed).

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- (8) IC 6-3.5-6-27 (repealed).
- (9) IC 6-3.5-6-28 (repealed).
- (10) IC 6-3.5-7-22 (repealed).
- (11) IC 6-3.5-7-24 (repealed).
- (12) IC 6-3.5-7-25 (repealed).
- (13) IC 6-3.5-7-27 (repealed).

(b) An additional tax rate is imposed in a county after 2006 for the purposes each law described in subsection (a). The amount of the additional tax rate is the tax rate imposed in 2006 under a law described in subsection (a). The additional tax rate is an excluded tax.

(c) An additional tax rate imposed under this section continues until the earliest of the following:

- (1) The date the additional tax rate is rescinded or reduced by the body establishing the additional rate.
- (2) The date that the purpose for which the tax rate was imposed is accomplished.
- (3) The date that the law described in subsection (a) would have terminated the additional tax rate.

(d) The county auditor shall retain the amount of the additional tax rate as a special allocation. The retained amount shall be allocated as provided in the applicable law described in subsection (a).

Sec. 12. (a) This section applies to any county, regardless of whether the county has adopted an ordinance under:

- (1) IC 6-11-15 to provide additional property tax replacement credits or homestead credits from the part of a tax that is a controlled tax imposed under IC 6-11-7;
- (2) IC 6-11-16 to provide additional property tax replacement credits or homestead credits from the part of an optional additional county income tax imposed as an excluded tax under IC 6-11-8; or
- (3) another provision of this chapter to provide additional property tax replacement credits or homestead credits.

(b) In addition to any other additional tax rate imposed under this article, a council may adopt an additional tax rate to replace revenue lost to a political subdivision as the result of granting an additional property tax replacement credit under this section. The amount of the additional tax is an excluded tax.

(c) The additional tax rate may not exceed one percent (1%).

(d) An additional property tax replacement credit is established in each county to which this section applies. The department shall

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1 set the percentage of the property tax replacement credit so that
 2 the total amount of additional property tax replacement credits
 3 granted equals the amount of the additional tax collected under
 4 this section. The additional property tax replacement credit shall
 5 be uniformly applied to all taxpayer property tax liability for
 6 controlled property taxes imposed by the political subdivision.

7 (e) The county auditor shall retain the amount necessary for the
 8 property tax replacement credit as a special allocation. The
 9 retained amount shall be allocated among political subdivisions in
 10 proportion to property tax revenue lost as the result of granting
 11 additional property tax replacement credits under this section.

12 (f) Money received under this section shall be treated for all
 13 purposes as property tax levies.

14 Chapter 10. Credits

15 Sec. 1. (a) Except as provided in subsection (b), if for a
 16 particular taxable year a resident is liable for an income tax
 17 imposed by a county, city, town, or other local governmental entity
 18 located outside Indiana, that resident is entitled to a credit against
 19 the tax liability imposed under this article for that same taxable
 20 year. The amount of the credit equals the amount of tax imposed
 21 by the other governmental entity on income derived from sources
 22 outside Indiana and subject to the tax under this article. However,
 23 the credit provided by this section may not reduce a resident's tax
 24 liability under this article to an amount less than would have been
 25 owed if the income subject to taxation by the other governmental
 26 entity had been ignored.

27 (b) The credit provided by this section does not apply to a
 28 resident to the extent that the other governmental entity provides
 29 for a credit to the resident for the amount of taxes owed under this
 30 article.

31 (c) To claim the credit provided by this section, a resident must
 32 provide the department of state revenue with satisfactory evidence
 33 that the taxpayer is entitled to the credit.

34 Sec. 2. (a) If for a particular taxable year a taxpayer is, or a
 35 taxpayer and the taxpayer's spouse who file a joint return are,
 36 allowed a credit for the elderly or totally disabled under Section 22
 37 of the Internal Revenue Code, the taxpayer is, or the taxpayer and
 38 the taxpayer's spouse are, entitled to a credit against the tax
 39 liability under this article for that same taxable year. The amount
 40 of the credit equals the lesser of:

41 (1) the product of:

42 (A) the credit for the elderly or totally disabled for that

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1 same taxable year; multiplied by

2 (B) a fraction, the:

3 (i) numerator of which is the tax rate imposed under this
4 article against the taxpayer or the taxpayer and the
5 taxpayer's spouse; and

6 (ii) denominator of which is fifteen-hundredths (0.15); or

7 (2) the amount of tax imposed on the taxpayer or the taxpayer
8 and the taxpayer's spouse.

9 (b) If a taxpayer and the taxpayer's spouse file a joint return
10 and are subject to different county income tax rates for the same
11 taxable year, the taxpayer and the taxpayer's spouse shall compute
12 the credit under this section by using the formula provided by
13 subsection (a), except that they shall use the average of the two (2)
14 county income tax rates imposed against them as the numerator
15 referred to in subsection (a)(1)(B)(i).

16 Chapter 11. Administration

17 Sec. 1. Except as otherwise provided in this article, all
18 provisions of the adjusted gross income tax law (IC 6-3)
19 concerning:

20 (1) definitions;

21 (2) declarations of estimated tax;

22 (3) filing of returns;

23 (4) deductions or exemptions from adjusted gross income;

24 (5) remittances;

25 (6) incorporation of the provisions of the Internal Revenue
26 Code;

27 (7) penalties and interest; and

28 (8) exclusion of military pay credits for withholding;

29 apply to the imposition, collection, and administration of the tax
30 imposed by this article.

31 Sec. 2. The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3,
32 IC 6-3-3-5, IC 6-3-4-4.1(h), IC 6-3-4-8.1(e), and IC 6-3-5-1 do not
33 apply to the tax imposed by this article.

34 Sec. 3. Each employer, including an employer making payments
35 by electronic funds transfer, shall report to the department of state
36 revenue for each reporting period the amount of tax withholdings
37 attributable to each county. The report must be made before the
38 later of the time that an employer that is not making an electronic
39 funds transfer is required to pay to the department of state revenue
40 amounts withheld during the reporting period or the date specified
41 by the department of state revenue.

42 Sec. 4. A taxpayer required to file estimated or annual state

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adjusted gross income tax returns under IC 6-3-4-4.1, including taxpayers making payments by electronic funds transfer, shall file estimated tax returns and make payments of the tax imposed by this article to the department of state revenue at the time or times and in the installments specified under IC 6-3-4-4.1 for making estimated state adjusted gross income tax returns by taxpayers not making an electronic funds transfer.

Chapter 12. Collection and Distribution of Revenue to a County

Sec. 1. (a) A special account within the state general fund shall be established for each county that adopts the tax. Estimated tax payments, wage withholding payments, and other revenue derived from the imposition of the tax by a county shall be deposited in that county's account in the state general fund on at least a monthly basis as the revenue is received.

(b) Overpayments of the county's tax deposited in a county's account and other amounts deposited in a county's account in error shall be withdrawn from the account whenever the amount of the excess deposit is determined. If the amount that must be withdrawn from a county's account exceeds the amount in the account, the budget agency shall advance to the county's account from the state general fund the amount necessary to make the withdrawal. The advance shall be repaid from the account on the schedule determined by the budget agency.

(c) Income earned on money held in a county's account becomes a part of that account.

(d) Revenue remaining in a county's account at the end of a fiscal year does not revert to the state general fund.

Sec. 2. The auditor of state shall distribute money in a county's account, less the reserve that the department of state revenue determines is necessary to meet probable withdrawals from the fund for overpayments and other erroneous deposits, at least monthly.

Sec. 3. All distributions from an account shall be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

Sec. 4. The department of state revenue shall at least annually distribute to the county auditor for a county imposing a tax and to the department sufficient information for the county auditor and the department to determine that the distributions made to the county are correct and complete. To the extent that the information distributed under this section is confidential information under IC 6-8.1-7, the department of state revenue shall

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1 require the recipients to enter into an agreement under
2 IC 6-8.1-7-1(b) before providing the information.

3 **Sec. 5.** The department of state revenue, in addition to offsetting
4 withdrawals and the repayment of advances to an account against
5 money deposited in an account, may on a settlement date seek
6 repayment from a county of money erroneously distributed to the
7 county. The county auditor shall reimburse the county's account
8 for overpayments from county income tax distributions held by the
9 county. The amount of the reimbursement shall be proportionately
10 deducted from all allocations made to the political subdivisions in
11 the county except allocations made to pay or fund any bonds, lease
12 obligations, or other obligations (as defined in IC 5-1-3-1) for
13 which county adjusted gross income tax, county option income tax,
14 county economic development tax, or county income tax is pledged.
15 If the amount held by the county is insufficient to reimburse the
16 county's account, the county fiscal body may authorize an advance
17 of money from the county general fund to make the
18 reimbursement. The advance shall be repaid on the schedule
19 determined by the county fiscal body.

20 **Chapter 13. Distribution of Revenue by the County Auditor**

21 **Sec. 1.** When taxes are distributed to a county under IC 6-11-12,
22 the county auditor shall:

- 23 (1) determine the part of the distribution that is attributable
24 to the part of the tax imposed under IC 6-11-7, IC 6-11-8, and
25 each additional excluded tax rate imposed under IC 6-11-9;
26 (2) determine the part of each political subdivision's allocation
27 of taxes imposed under IC 6-11-7 and IC 6-11-8 that must be
28 retained under this article, including amounts retained as a
29 result of assignments of taxes made by a political subdivision
30 under IC 6-11-14; and
31 (3) distribute the remainder of the taxes among the political
32 subdivisions in the county according to the formulas
33 established under this article.

34 **Sec. 2.** Amounts retained under section 1 of this chapter shall be
35 distributed as required to carry out the purposes of the special
36 allocation or other purpose for which the taxes are retained.

37 **Sec. 3.** To assist county auditors, the department shall compute
38 allocations, amounts that must be retained, and amounts to be
39 distributed for each purpose.

40 **Sec. 4.** The department shall establish a schedule for
41 transmitting the information computed under section 3 of this
42 chapter to each county auditor. The information must be

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1 accompanied by sufficient supporting work papers for the county
2 auditor to verify the accuracy and completeness of the
3 computations.

4 **Sec. 5.** A county auditor shall provide each affected political
5 subdivision, individual, or other entity entitled to a distribution
6 with:

- 7 (1) advance notice of the policies established under this
- 8 chapter; and
- 9 (2) sufficient documentation for the entity to verify the
- 10 accuracy and completeness of the entity's distributions under
- 11 this article.

12 The county auditor shall give the notices and documentation under
13 this section on the schedule, if any, specified by the department.

14 **Sec. 6.** Subject to this chapter and any other law, a council may
15 adopt an ordinance to establish the:

- 16 (1) schedule on which distributions are made;
- 17 (2) amount of reserve that the county auditor shall retain to
- 18 reimburse the state for any overpayment to the county under
- 19 IC 6-11-12;
- 20 (3) schedule for apportioning amounts retained by the county
- 21 auditor to the distributions that would otherwise be made
- 22 under this article; and
- 23 (4) formula and schedule for apportioning shortfalls among
- 24 the distributions that would otherwise be made under this
- 25 article.

26 **Sec. 7.** In the absence of an ordinance under section 6 of this
27 chapter the:

- 28 (1) schedule on which distributions are made;
- 29 (2) amount of reserve that the county auditor shall retain to
- 30 reimburse the state for any overpayment to the county under
- 31 IC 6-11-12;
- 32 (3) schedule for apportioning amounts retained by the county
- 33 auditor to the distributions that would otherwise be made
- 34 under this article; and
- 35 (4) formula and schedule for apportioning shortfalls among
- 36 the distributions that would otherwise be made under this
- 37 article.

38 is the schedule, amount, and formula specified by the department
39 under section 8 of this chapter or, in the absence of a policy under
40 section 8 of this chapter, the county auditor.

41 **Sec. 8.** The department may establish the:

- 42 (1) schedule on which distributions are made;

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(2) amount of reserve that a county auditor shall retain to reimburse the state for any overpayment to the county under IC 6-11-12;

(3) schedule for apportioning amounts retained by the county auditor to the distributions that would otherwise be made under this article; and

(4) formula and schedule for apportioning shortfalls among the distributions that would otherwise be made under this article.

Sec. 9. If the council adopts an ordinance under section 6 of this chapter, the department may establish under section 8 of this chapter a different standard than the standard adopted in the ordinance only as necessary to:

(1) protect taxpayers;

(2) protect the holders of bonds, leases, or other obligations;

(3) provide for uniform and just treatment of all political subdivisions in the county; or

(4) enforce a law.

Sec. 10. To the extent possible, the county auditor, council, and department shall provide for monthly distributions of a county's tax.

Sec. 11. An ordinance adopted under section 6 of this chapter or a policy established under section 3, 7, or 8 of this chapter may not adversely affect the payment or funding of any bonds, lease obligations, or other obligations (as defined in IC 5-1-3-1) for which:

(1) county adjusted gross income tax, county option income tax, or county economic development tax was pledged before 2007; or

(2) county income tax is pledged.

Sec. 12. A county auditor may not maintain a reserve to reimburse the state for any overpayment to the county under IC 6-11-12 that exceeds the probable net settlement to the state for taxes from which the reserve is retained.

Sec. 13. The county auditor shall retain from a county's distribution under IC 6-11-12 the amount of any settlement with the state required to eliminate overpayments to the county of taxes imposed under this article that are not covered by a reserve.

Chapter 14. Assignments of an Allocation

Sec. 1. The fiscal body of a political subdivision may by ordinance or resolution assign any part of the political subdivision's allocation, including a special allocation, of a county's

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1 distribution of taxes to another entity to carry out any
 2 governmental purpose, including any purpose for which county
 3 adjusted gross income taxes, county option income taxes, or county
 4 economic development taxes could have been pledged or assigned
 5 before 2007.

6 Sec. 2. An assignment of a political subdivision's share of:

7 (1) county adjusted income taxes;

8 (2) county option income taxes; or

9 (3) county economic development income taxes;

10 that would have applied to a year after 2006 if IC 6-3.5-1.1,
 11 IC 6-3.5-6, and IC 6-3.5-7 had not been repealed, shall be treated
 12 as an assignment of the political subdivision's allocation of a
 13 county's distribution of taxes under this article.

14 Sec. 3. Except as provided in section 2 of this chapter, if the
 15 political subdivision assigns an allocation, the fiscal body shall
 16 certify the allocation to the county auditor and the department.

17 Sec. 4. If a political subdivision fails to pay or fund bonds, lease
 18 obligations, or other obligations (as defined in IC 5-1-3-1) for
 19 which a pledge of county adjusted gross income tax, county option
 20 income tax, or county economic development tax was made, the
 21 department may order the county auditor to retain from the
 22 amount that would otherwise be allocated to the political
 23 subdivision the amount necessary to fulfill the political
 24 subdivision's obligations. The amount retained under this section
 25 shall be treated as an assignment of the political subdivision's
 26 allocation to meet the political subdivision's obligations under the
 27 pledge.

28 Sec. 5. The county auditor shall retain an assigned amount and
 29 directly distribute it to the assignee as if it were a distribution to
 30 the political subdivision.

31 Sec. 6. An assignment under this chapter (including an
 32 assignment described in section 2 of this chapter) applies until the
 33 fiscal body of the political subdivision rescinds or reduces the
 34 amount of an assignment in a subsequent ordinance.

35 Sec. 7. A political subdivision (or the department in the case of
 36 section 4 of this chapter) may not reduce or rescind an assignment
 37 to the extent that the reduction or rescission will adversely affect
 38 the payment or funding of any bonds, lease obligations, or other
 39 obligations (as defined in IC 5-1-3-1) for which county adjusted
 40 gross income tax, county option income tax, or county economic
 41 development tax, or county income tax is pledged.

42 Sec. 8. An assignment of controlled taxes does not change the

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political subdivision's controlled tax limit or controlled levy limit.

Chapter 15. Special Allocations From Controlled Taxes

Sec. 1. This chapter applies only to the part of a tax that is a controlled tax imposed under IC 6-11-7.

Sec. 2. (a) This section applies to any county.

(b) In addition to any other property tax replacement credit or homestead credit granted under this article, the fiscal body of a political subdivision may adopt an ordinance to retain part of the amount that would otherwise be allocated to the political subdivision under IC 6-11-7 to replace revenue lost to a political subdivision as the result of granting additional property tax replacement credits under this section. The ordinance must specify the amount to be retained. The amount retained under this section is not an excluded tax.

(c) An additional property tax replacement credit is established in each county to which this section applies. The additional property tax replacement credit applies to the controlled property taxes imposed by the political subdivision adopting an ordinance under this section. The department shall set the percentage of property tax replacement credits so that the total amount of additional property tax replacement credits granted equals the amount of the tax retained under this section. The additional property tax replacement credit shall be uniformly applied to all taxpayer property tax liability for controlled property taxes imposed by the political subdivision.

(d) The county auditor shall retain the amount necessary for the additional property tax replacement credit as a special allocation. The retained amount shall be allocated to the political subdivision in proportion to the controlled property tax revenue lost as the result of granting additional property tax replacement credits under this section.

(e) Money received under this section shall be treated for all purposes as controlled property tax levies.

Chapter 16. Special Allocations From Optional Additional County Income Taxes

Sec. 1. This chapter applies only to the part of the tax imposed under this article that is imposed as an excluded tax under IC 6-11-8.

Sec. 2. The amount of taxes allocated to a tax area under:

- (1) IC 36-7-13;
- (2) IC 36-7-31;
- (3) IC 36-7-31.3;

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1 (4) IC 36-7-32; or

2 (5) another similar law;

3 shall be treated as a special allocation that reduces only the amount
4 that would otherwise be allocated to a political subdivision under
5 IC 6-11-8. The amount of the special allocation under this section
6 may not be considered in determining the controlled tax limit of a
7 political subdivision or in setting tax rates under this article.

8 Sec. 3. (a) This section applies to a county that adopted an
9 ordinance under IC 6-3.5-7-23 (before its repeal) to provide for an
10 additional property tax replacement credit to replace library
11 property taxes in the county.

12 (b) The county fiscal body may adopt an ordinance to retain
13 part of the amount that would otherwise be allocated to political
14 subdivisions under IC 6-11-8 to replace revenue lost to a public
15 library as the result of granting an additional property tax
16 replacement credit against library property taxes imposed in the
17 county. An ordinance adopted under IC 6-3.5-7-23 (before its
18 repeal) shall be treated as an ordinance adopted under this section.
19 The county fiscal body may not designate for library property tax
20 replacement purposes tax revenue that is generated by a tax rate
21 of more than fifteen-hundredths percent (0.15%).

22 (c) An additional property tax replacement credit is established
23 in each county to which this section applies. The department shall
24 set the percentage of the property tax replacement credit so that
25 the total amount of additional property tax replacement credits
26 granted equals the amount of the tax retained under this section.
27 The additional property tax credit shall be applied in the same
28 manner as an additional property tax credit under IC 6-3.5-7-23
29 (before its repeal) would have been applied.

30 (d) The county auditor shall allocate the amount retained under
31 this section as a special allocation. The retained amount shall be
32 allocated among public libraries as an additional property tax
33 credit under IC 6-3.5-7-23 (before its repeal) would have been
34 allocated.

35 (e) Money received under this section shall be treated for all
36 purposes as property tax levies.

37 (f) A special allocation and property tax replacement credit
38 under this section continues in effect until rescinded or reduced by
39 ordinance adopted by the county fiscal body.

40 Sec. 4. (a) This section applies to a county that received a
41 certified distribution of county adjusted gross income taxes in
42 2006.

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(b) In addition to any other property tax replacement credit or homestead credit granted under this chapter, part of the amount that would otherwise be allocated to political subdivisions under IC 6-11-8 must be retained to replace revenue lost to a political subdivision as the result of granting additional property tax replacement credits under this section.

(c) The amount to be retained is the amount raised by the tax rate that is equal to the part of the county adjusted gross income tax rate that was imposed to raise the part of the county's 2006 certified distribution that was allocated to civil taxing units (as defined in IC 6-3.5-1.1-1 (repealed)) and school corporations as property tax replacement credits.

(d) An additional property tax replacement credit is established in each county to which this section applies. The department shall set the percentage of property tax replacement credits so that the total amount of additional property tax replacement credits granted equals the amount of the tax retained under this section. The additional property tax replacement credit shall be uniformly applied to property tax liability on taxable property in the county as follows:

(1) To the property tax liability of each eligible civil taxing unit, as determined under IC 6-11-8-15, for controlled property taxes.

(2) To the property tax liability of each school corporation for its general fund, debt service fund, capital projects fund, transportation fund, and special education preschool fund.

(e) The county auditor shall retain the amount necessary for the additional property tax replacement credit as a special allocation. The retained amount shall be allocated among political subdivisions in proportion to the property tax revenue lost as the result of granting additional property tax replacement credits under this section.

(f) Money received under this section shall be treated for all purposes as property tax levies.

Sec. 5. (a) This section applies to a county that received a certified distribution of county adjusted gross income taxes in 2006.

(b) In addition to any other property tax replacement credit or homestead credit granted under this chapter, part of the amount that would otherwise be allocated to each eligible civil taxing unit, as determined under IC 6-11-8-15, under IC 6-11-8 must be retained to replace revenue lost to an eligible civil taxing unit as the

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1 result of granting additional property tax replacement credits
2 under this section.

3 (c) The amount to be retained is the amount raised by the tax
4 rate that is equal to the part of the county adjusted gross income
5 tax rate that was imposed to raise the part of the county's 2006
6 certified distribution that was:

7 (1) allocated to eligible civil taxing units (as determined under
8 IC 6-11-8-15) as certified shares; and

9 (2) used as additional property tax replacement credits.

10 (d) An additional property tax replacement credit is established
11 in each county to which this section applies. The department shall
12 set the percentage of property tax replacement credits so that the
13 total amount of additional property tax replacement credits
14 granted equals the amount of the tax retained under this section.
15 The additional property tax replacement credit shall be uniformly
16 applied to property tax liability on taxable property in the county
17 of each eligible civil taxing unit, as determined under IC 6-11-8-15,
18 for controlled property taxes.

19 (e) The county auditor shall retain the amount necessary for the
20 additional property tax replacement credit as a special allocation.
21 The retained amount shall be allocated among political
22 subdivisions in proportion to the property tax revenue lost as the
23 result of granting additional property tax replacement credits
24 under this section.

25 (f) Money received under this section shall be treated for all
26 purposes as property tax levies.

27 Sec. 6. (a) This section applies to any county.

28 (b) In addition to any other property tax replacement credit or
29 homestead credit granted under this chapter, a council may adopt
30 an ordinance to retain part of the amount that would otherwise be
31 allocated to political subdivisions under IC 6-11-8 to replace
32 revenue lost to a political subdivision as the result of granting
33 additional property tax replacement credits under this section. The
34 ordinance must specify the amount to be retained.

35 (c) An additional property tax replacement credit is established
36 in each county to which this section applies. The department shall
37 set the percentage of property tax replacement credits so that the
38 total amount of additional property tax replacement credits
39 granted equals the amount of the tax retained under this section.
40 The additional property tax replacement credit shall be uniformly
41 applied to all controlled property tax liability in the county.

42 (d) The county auditor shall retain the amount necessary for the

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1 additional property tax replacement credit as a special allocation.
 2 The retained amount shall be allocated among political
 3 subdivisions in proportion to the controlled property tax revenue
 4 lost as the result of granting additional property tax replacement
 5 credits under this section.

6 (e) Money received under this section shall be treated for all
 7 purposes as controlled property tax levies.

8 Sec. 7. (a) This section applies to any county.

9 (b) In addition to any other additional property tax
 10 replacements or homestead credits granted under this chapter, a
 11 council may adopt an ordinance to retain part of the amount that
 12 would otherwise be allocated to political subdivisions under
 13 IC 6-11-8 to replace revenue lost to a political subdivision as the
 14 result of granting an additional homestead credit under this
 15 section. The amount retained is not an excluded tax. An ordinance
 16 adopted in a county under IC 6-3.5-6-13 (repealed) before April 1,
 17 2006, shall be treated as an ordinance adopted under this section
 18 if the ordinance would have been in effect in a year after 2006 if
 19 IC 6-3.5-6 had not been repealed.

20 (c) The maximum amount that may be retained under this
 21 section for an ensuing year is the greater of:

22 (1) eight percent (8%) of the sum of the property taxes
 23 imposed in the county in the year immediately preceding the
 24 ensuing year; or

25 (2) the amount that the county retained under
 26 IC 6-3.5-6-18(b) (repealed) in 2006 for the purposes of
 27 granting homestead credits.

28 The ordinance must specify the amount to be retained.

29 (d) An additional homestead credit is established in each county
 30 to which this section applies. The department shall set the
 31 percentage of the homestead credit so that the total amount of
 32 additional homestead credits granted equals the amount of the
 33 additional tax collected under this section. The additional
 34 homestead credit shall be applied as an increase in the homestead
 35 credit allowed in a taxing district under IC 6-1.1-20.9 for a year.
 36 The homestead credit shall be uniformly applied to all homesteads
 37 in the county.

38 (e) The county auditor shall retain the amount necessary for the
 39 homestead credit as a special allocation. The retained amount shall
 40 be allocated among political subdivisions in proportion to property
 41 tax revenue lost as the result of granting additional homestead
 42 credits under this section.

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1 (f) Money received under this section shall be treated for all
2 purposes as property tax levies.

3 Sec. 8. (a) This section applies to any county.

4 (b) In addition to any other property tax replacement credit or
5 homestead credit granted under this article, the fiscal body of a
6 political subdivision may adopt an ordinance to retain part of the
7 amount that would otherwise be allocated to the political
8 subdivision under IC 6-11-8 to replace revenue lost to a political
9 subdivision as the result of granting additional property tax
10 replacement credits under this section. The ordinance must specify
11 the amount to be retained. The ordinance may be combined with
12 an ordinance adopted under IC 6-11-15.

13 (c) An additional property tax replacement credit is established
14 in each county to which this section applies. The additional
15 property tax replacement credit applies to the controlled property
16 taxes imposed by the political subdivision adopting an ordinance
17 under this section. The department shall set the percentage of
18 property tax replacement credits so that the total amount of
19 additional property tax replacement credits granted equals the
20 amount of the tax retained under this section. The additional
21 property tax replacement credit shall be uniformly applied to all
22 taxpayer property tax liability for controlled property taxes
23 imposed by the political subdivision.

24 (d) The county auditor shall retain the amount necessary for the
25 additional property tax replacement credit as a special allocation.
26 The retained amount shall be allocated to the political subdivision
27 in proportion to the controlled property tax revenue lost as the
28 result of granting additional property tax replacement credits
29 under this section.

30 (e) Money received under this section shall be treated for all
31 purposes as controlled property tax levies.

32 Chapter 17. Actions Taken by Fiscal Body Other Than Council

33 Sec. 1. This chapter applies to an action that under this article
34 may be taken by a fiscal body that is not acting as a member of the
35 council.

36 Sec. 2. A fiscal body may take an action after publishing a notice
37 under IC 5-3-1.

38 Sec. 3. As soon as practical after its adoption, a certified copy of
39 an ordinance or resolution adopted by a fiscal body shall be
40 distributed to the:

- 41 (1) county auditor;
- 42 (2) department; and

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(3) department of state revenue.

Sec. 4. An ordinance or resolution adopted by a fiscal body may be amended or rescinded by adopting a subsequent ordinance or resolution.

Sec. 5. An ordinance or resolution adopted by a fiscal body before September 16 initially applies to the ensuing year. Unless waived by the department for good cause, an ordinance or resolution adopted after September 15 in a year initially applies to the year following the year of adoption by two (2) years.

Chapter 18. Bonds

Sec. 1. Notwithstanding any other law, if a political subdivision desires to issue obligations or enter into leases, payable wholly or in part by the tax, the obligations of the political subdivision or any lessor may be sold at public sale in accordance with IC 5-1-11 or at negotiated sale.

Sec. 2. A pledge of tax revenues under this article is enforceable in accordance with IC 5-1-14.

Sec. 3. With respect to obligations for which a pledge has been made under this article, the general assembly covenants with the county and the purchasers or owners of those obligations that this article will not be repealed or amended in any manner that will adversely affect the tax collected under this article as long as the principal of or interest on those obligations is unpaid.

SECTION 43. IC 6-12 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 12. CONTROLLED TAX LIMIT

Chapter 1. Definitions

Sec. 1. The definitions in IC 6-1.1, IC 6-11, and IC 36-1-2 apply throughout this article.

Sec. 2. The definitions in this chapter apply throughout this article.

Sec. 3. "Adjustment" means an increase or a decrease of a:

- (1) political subdivision's controlled tax limit or controlled levy limit, or both;
 - (2) political subdivision's property taxes or property tax rates;
 - (3) county's income tax or income tax rate; or
 - (4) political subdivision's allocation of income taxes; or
- another action allowed under this article or IC 6-13.

Sec. 4. "Income tax" refers to a county income tax imposed under IC 6-13.

Sec. 5. "Indiana nonfarm personal income" means the estimate

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of total nonfarm personal income for Indiana in a year as computed by the federal Bureau of Economic Analysis using any actual data for the year and any estimated data determined to be appropriate by the federal Bureau of Economic Analysis.

Chapter 2. Excluded Taxes

Sec. 1. This article does not apply to the state or a political subdivision that does not have the power to impose a property tax.

Sec. 2. This article applies to the:

- (1) amount of controlled income taxes that may be imposed in a county for allocation to a political subdivision; and
- (2) controlled property taxes that may be imposed in a county by the political subdivision.

Sec. 3. The taxes described in section 2 of this chapter are controlled taxes subject to this article.

Sec. 4. This article does not apply to any part of:

- (1) an income tax imposed in a county; or
- (2) a property tax levy imposed by a political subdivision; that is designated as an excluded tax under this chapter or IC 6-11.

Sec. 5. A controlled tax limit or controlled levy limit calculated under this article does not apply to an excluded tax.

Sec. 6. An excluded tax may not be considered in calculating a controlled tax limit, controlled levy limit, or annual controlled tax increase for any political subdivision.

Sec. 7. A property tax imposed for a debt service fund (as defined in IC 6-14-1-8) is an excluded tax.

Sec. 8. A fixed rate levy (as defined in IC 6-15-1-3) is an excluded tax.

Sec. 9. A property tax imposed for any of the following is an excluded tax:

- (1) A referendum tax levy fund (IC 21-2-11.6).
- (2) A school capital projects fund (IC 21-2-15).
- (3) A special education preschool fund (IC 21-2-17).
- (4) A racial balance fund (IC 6-1.1-19-10 (repealed) or IC 21-2-22).
- (5) A cultural institution (IC 20-5-17.5-4 (repealed) or IC 36-10-13-8).

Sec. 10. A:

- (1) tax imposed under IC 6-1.1-21.2-12; or
 - (2) special assessment imposed under IC 12-19-1.5-9;
- for an allocation area is an excluded tax.

Sec. 11. A part of the income tax rate that is:

- (1) imposed under IC 6-11-8; or

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(2) otherwise designated by law as an excluded tax.

Chapter 3. Limitations on Controlled Taxes

Sec. 1. A:

(1) controlled tax limit; and

(2) controlled levy limit;

is established for each political subdivision.

Sec. 2. If the political subdivision is located in more than one (1) county, a controlled tax limit and controlled levy limit is established for each county in which the political subdivision is located. The controlled tax limit and the controlled levy limit in each county must reflect a proportionate share of the total amount of controlled taxes that may be imposed for the political subdivision. The apportionment must reflect the factors applicable to apportioning an adjustment under IC 6-12-5-5.

Sec. 3. A political subdivision's controlled tax limit specifies the maximum total amount of controlled taxes that may be imposed in a county in a year for the political subdivision. Subject to section 16 of this chapter, an action taken by a political subdivision, the council, or the department of local government is void to the extent that it allows controlled taxes to be imposed in a county in a year for a political subdivision that exceeds the political subdivision's controlled tax limit in the county for the year.

Sec. 4. A political subdivision's controlled levy limit does not limit the amount of controlled property taxes that a political subdivision may impose in a county in a year. However, the political subdivision's controlled levy limit specifies the maximum total amount of the political subdivision's controlled taxes that is eligible for:

(1) homestead credits under IC 6-1.1-20.9-2 and property tax replacement credits under IC 6-1.1-21-5; and

(2) distributions under IC 6-1.1-21 to replace revenue lost from the granting of homestead credits under IC 6-1.1-20.9-2 and property tax replacement credits under IC 6-1.1-21-5.

Sec. 5. If a county does not pay all of a political subdivision's total allowable tax increase amounts from income taxes the political subdivision may impose a controlled property tax to raise the amount that is not raised from income taxes. However, the additional amount of property taxes is not eligible for:

(1) homestead credits under IC 6-1.1-20.9-2 and property tax replacement credits under IC 6-1.1-21-5; and

(2) distributions under IC 6-1.1-21 to replace revenue lost from the granting of homestead credits under IC 6-1.1-20.9-2

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and property tax replacement credits under IC 6-1.1-21-5.

Sec. 6. A political subdivision's allocation of income taxes under IC 6-11-7 is calculated based on the political subdivision's controlled tax limit.

Sec. 7. A political subdivision is not required to spend the entire amount of the political subdivision's controlled tax limit for a year or impose property taxes equal to the amount of the political subdivision's controlled levy limit.

Sec. 8. The use of controlled income taxes to increase the amount of money in:

- (1) the political subdivision's rainy day fund; or
- (2) another fund that the political subdivision is saving under a written plan approved by the department;

does not reduce the political subdivision's controlled tax limit or controlled levy limit.

Sec. 9. The use of controlled income taxes as property tax replacement credits, homestead credits, or other credits under IC 6-11-15 does not reduce the political subdivision's controlled tax limit or controlled levy limit.

Sec. 10. A temporary adjustment, as determined by the department, in the amount of controlled income taxes or controlled property taxes that are imposed for a political subdivision is disregarded for purposes of determining the political subdivision's controlled tax limit and controlled levy limit for the following year.

Sec. 11. The application of money from:

- (1) the political subdivision's rainy day fund;
- (2) an excess revenue fund account;
- (3) excluded income taxes under IC 6-11-9 or IC 6-11-16; or
- (4) another source;

to reduce the controlled income taxes or controlled property taxes imposed for the political subdivision in a year shall be treated as a temporary adjustment.

Sec. 12. For purposes of determining a political subdivision's controlled tax limit, controlled levy limit, and allocations of controlled income taxes, the assignment of controlled income taxes under IC 6-11-14 or controlled property taxes to another entity shall be treated as if the money were expended by the assigning political subdivision.

Sec. 13. A political subdivision is not prohibited by law from using controlled income taxes to pay expenditures for a purpose or from a fund when a law imposes a limit at or requires expenditure of a specified property tax levy or specified property tax rate. The

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1 law shall be construed to mean that the total of all controlled
2 income taxes and controlled property taxes that may or must be
3 expended is the amount that would be raised by the specified levy
4 or rate.

5 Sec. 14. Regardless of whether a political subdivision's
6 controlled tax limit or controlled levy limit would permit a higher
7 tax or rate, the controlled taxes that may be imposed in a year for
8 a particular fund or purpose may not exceed the maximum tax
9 amount or rate specified by law, if any, for the fund or purpose.

10 Sec. 15. An unused part of a political subdivision's controlled
11 tax limit or controlled levy limit that is attributable to a:

- 12 (1) family and children's fund;
- 13 (2) children's psychiatric residential treatment services fund;
- 14 (3) school general fund;
- 15 (4) school transportation fund; or
- 16 (5) school bus replacement fund;

17 may not be reallocated and applied to increase the controlled tax
18 limit or controlled levy limit for any other fund or purpose.

19 Sec. 16. If, as the result of applying the property tax and income
20 tax rates certified by the department, more controlled taxes are
21 raised for a political subdivision than the maximum amount
22 allowed under the political subdivision's controlled tax limit, the
23 collection of the excess is valid. The excess shall be treated as excess
24 revenue under IC 6-13-22.

25 Chapter 4. Computation of Controlled Tax and Levy Limits

26 Sec. 1. A political subdivision's controlled tax limit and
27 controlled levy limit for a county are the controlled tax limit and
28 controlled levy limit calculated by the department.

29 Sec. 2. The department shall annually calculate a political
30 subdivision's controlled tax limit and controlled levy limit under
31 this article.

32 Sec. 3. (a) This section does not apply to a school corporation.

33 (b) Subject to any adjustment allowed or required under this
34 article, a political subdivision's controlled tax limit in a county for
35 the ensuing year is equal to the amount determined under STEP
36 SEVEN of the following formula:

37 STEP ONE: Determine the amount of controlled property
38 taxes, as adjusted under IC 6-13-4-10, and controlled income
39 taxes under IC 6-11-7 imposed in the county for the political
40 subdivision for the immediately preceding year, as certified by
41 the department and adjusted to eliminate the:

- 42 (A) effects of any temporary adjustments in the certified

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amount; and
 (B) cumulative effects of any incorrect data, computations,
 and advertisements on the certified amount;
 as determined by the department.

STEP TWO: Multiply the STEP ONE amount by the greater
 of the political subdivision's:

(A) tax growth quotient; or
 (B) assessed value growth quotient;
 for the ensuing year.

STEP THREE: Determine the lesser of one and fifteen
 hundredths (1.15) or the quotient of:

(A) the assessed value of all taxable property subject to the
 political subdivision's controlled property tax levy for the
 ensuing year; divided by

(B) the assessed value of all taxable property that is subject
 to the political subdivision's controlled property tax levy:

(i) for the ensuing year; and

(ii) that is contained in the geographic area that was
 subject to the political subdivision's controlled property
 tax levy in the preceding year.

STEP FOUR: Determine the greater of:

(A) the amount determined in STEP THREE; or

(B) one (1).

STEP FIVE: Multiply the amount determined in STEP TWO
 by the amount determined in STEP FOUR.

STEP SIX: Add the amount determined under STEP TWO
 and:

(A) the amount paid by the annexed area during the
 immediately preceding year for services that the political
 subdivision must provide to that area during the ensuing
 year as a result of the annexation, if the boundary change
 involved an annexation of an area to which the political
 subdivision provided services on a contractual basis in the
 immediately preceding year; or

(B) zero dollars (\$0), if:

(i) the boundary change did not involve an annexation of
 an area to which the political subdivision provided
 services on a contractual basis in the immediately
 preceding year; or

(ii) the political subdivision will not continue to provide
 the services previously provided on a contractual basis
 in the ensuing year.

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STEP SEVEN: Determine the greater of STEP FIVE or STEP SIX.

Sec. 4. A political subdivision's tax growth quotient for the ensuing year is the amount determined under STEP FOUR of the following formula:

STEP ONE: For each of the six (6) years preceding the year by two (2), divide the Indiana nonfarm personal income for the year by the Indiana nonfarm personal income for the year immediately preceding that year, rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6), rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient.

(B) One and six-hundredths (1.06).

Sec. 5. A political subdivision's assessed value growth quotient for the ensuing year is the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the three (3) years that most immediately precede the ensuing year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the:

(A) sum of:

(i) the political subdivision's total assessed value of all taxable property; plus

(ii) the total assessed value of property tax deductions in the political subdivision under IC 6-1.1-12-41 or IC 6-1.1-12-42;

in the particular year; divided by

(B) the sum of:

(i) the political subdivision's total assessed value of all taxable property; plus

(ii) the total assessed value of property tax deductions in the political subdivision under IC 6-1.1-12-41 or IC 6-1.1-12-42;

in the year immediately preceding the particular year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

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1 **Sec. 6. (a) A separate controlled tax limit shall be computed for**
 2 **each of the following:**

3 **(1) The school corporation's school general fund and charter**
 4 **schools under IC 6-1.1-19-1.5.**

5 **(2) The school corporation's transportation fund under**
 6 **IC 21-2-11.5-3.**

7 **(3) The school corporation's school bus replacement fund**
 8 **under IC 21-2-11.5-3.**

9 **(b) A school corporation's controlled tax limit for the:**

10 **(1) school corporation's school general fund and charter**
 11 **schools under IC 6-1.1-19-1.5 is the maximum controlled tax**
 12 **that may be imposed in the county under IC 6-1.1-19-1.5;**

13 **(2) school corporation's transportation fund under**
 14 **IC 21-2-11.5-3 is the maximum controlled tax that may be**
 15 **imposed in the county under IC 21-2-11.5-3; and**

16 **(3) school corporation's school bus replacement fund under**
 17 **IC 21-2-11.5-3 is the maximum controlled tax that may be**
 18 **imposed in the county under IC 21-2-11.5-3.**

19 **Sec. 7. The department shall compute a controlled tax limit for**
 20 **each political subdivision that imposed a property tax in 2006 as if**
 21 **this chapter applied to the political subdivision in 2006. The**
 22 **controlled tax limit computed under this section shall be used in**
 23 **computing a political subdivision's:**

24 **(1) 2007 controlled tax limit under section 3 of this chapter;**
 25 **and**

26 **(2) annual controlled tax increase that is eligible to be funded**
 27 **from income taxes under IC 6-11.**

28 **Sec. 8. The 2006 controlled tax limit for a political subdivision,**
 29 **other than a school corporation, is the sum of the following:**

30 **(1) The remainder, without any adjustment under**
 31 **IC 6-13-4-10, of the total amount of property taxes certified**
 32 **by the department to be imposed in the county for the**
 33 **political subdivision in 2006:**

34 **(A) after deducting the property taxes attributable to**
 35 **excluded taxes, as certified by the department; and**

36 **(B) adjusted to eliminate the:**

37 **(i) cumulative effects of any temporary adjustments in**
 38 **the certified amount; and**

39 **(ii) cumulative effects of any incorrect data,**
 40 **computations, and advertisements on the certified**
 41 **amount;**

42 **as determined by the department.**

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(2) The amounts, if any, of county adjusted gross income taxes (before its repeal) that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing units, as provided in IC 6-3.5-1.1 (before its repeal) in 2006.

(3) The amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT (before its repeal) in 2006.

(4) The difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR (before its repeal); minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e) (before its repeal); in 2006.

Sec. 9. A school corporation's 2006 controlled tax limit is the school corporation's controlled tax limit, as determined under section 6 of this chapter for 2006.

Sec. 10. Except as permitted to be increased under IC 6-12-5-6, a political subdivision's controlled levy limit for the ensuing year is the lesser of the following:

(1) The political subdivision's controlled levy limit for the immediately preceding year.

(2) The political subdivision's controlled tax limit for the ensuing year.

Sec. 11. The department shall compute a controlled levy limit for each political subdivision that imposed a property tax in 2006 as if this chapter applied to the political subdivision in 2006. The controlled levy limit computed under this section shall be used in computing a political subdivision's:

(1) 2007 controlled levy limit under section 10 of this chapter; and

(2) annual controlled tax increase that is eligible to be funded from income taxes under IC 6-11.

Sec. 12. A political subdivision's 2006 controlled levy limit is equal to the political subdivision's 2006 controlled tax limit.

Sec. 13. (a) This section applies to the determination of the controlled tax limit and controlled levy limit for a political subdivision:

(1) for which no certified taxes were imposed in the immediately preceding year; and

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(2) that existed on March 1 of the preceding year.

(b) The controlled tax limit for a political subdivision described in subsection (a) in the ensuing year is the amount certified under subsection (c).

(c) The political subdivision shall refer its proposed budget for the ensuing year to the department before July 2 of the immediately preceding year. The department shall make the final determination concerning the political subdivision's budget, controlled levy limit, and controlled tax limit for the ensuing year before the immediately following August 2. The amount certified under this section is the political subdivision's controlled levy limit and controlled tax limit for the ensuing year.

Chapter 5. Adjustments

Sec. 1. The department may make an adjustment for any of the reasons specified in this article or IC 6-13. The department may increase a controlled levy limit only as permitted under section 6 of this chapter.

Sec. 2. Subject to this article, an adjustment under this article may be made on the department's own motion or after an appeal under IC 6-13. To the extent possible, the department shall make adjustments required by this article before certifying a political subdivision's controlled tax limit and controlled tax levy to the political subdivision under IC 6-13-5.

Sec. 3. An adjustment may be a:

(1) permanent adjustment that affects the computation of the political subdivision's controlled tax limit or controlled tax levy, or both, in all future years; or

(2) temporary adjustment that affects the computation of the political subdivision's controlled tax limit or controlled tax levy, or both, in only the years specified by the department; as determined by the department. The department may make an adjustment as a temporary adjustment only if the department determines that a law specifies that the adjustment is temporary, a permanent adjustment is not reasonably necessary to carry out the continuing governmental responsibilities of a political subdivision, or the conditions that justify the adjustment will not have a continuing effect on the political subdivision.

Sec. 4. If an adjustment is temporary, the department shall determine the years to which the adjustment applies.

Sec. 5. If a political subdivision is located in more than one (1) county and an adjustment is not directly related to the controlled taxes raised in a particular county, the department may apportion

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the adjustment among the counties in which the political subdivision is located in proportion to any of the following:

(1) Each county's share of the controlled taxes certified by the department for the political subdivision in the immediately preceding year, as determined without considering the adjustment.

(2) Each county's share of the assessed valuation of taxable property in the political subdivision, if an apportionment under subdivision (1) does not justly reflect the obligation of each county to provide funding for the political subdivision.

(3) The cost of the services provided to each county, if an apportionment under subdivisions (1) and (2) do not justly reflect the obligation of each county to provide funding for the political subdivision.

(4) Any other formula that justly reflects the obligation of each county to provide funding for the political subdivision, if an apportionment under subdivisions (1) through (3) do not justly reflect the obligation of each county to provide funding for the political subdivision.

Sec. 6. The department may increase a political subdivision's controlled levy limit only:

(1) as allowed under IC 6-11-4-13 concerning the establishment of a controlled tax limit and controlled levy limit for a new political subdivision;

(2) to make a temporary adjustment to fund a shortfall in property taxes or correct the cumulative effects of incorrect data, computations, or advertisements on property taxes in appropriate circumstances; or

(3) by the amount by which another political subdivision's controlled levy limit is reduced.

A political subdivision's controlled tax limit is increased by the amount and for the years that an increase is granted under this section.

Sec. 7. An adjustment under this article or IC 6-13 is subject to judicial review in the same manner as an appeal under IC 6-13.

Sec. 8. The department may make an adjustment if a political subdivision, in an appeal filed under IC 6-13, demonstrates that the political subdivision cannot carry out the governmental functions committed to it by law without the adjustment unless the political subdivision is given the authority for which it petitions. The amount of the adjustment is that which is reasonably necessary for the political subdivision to carry out its governmental functions

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committed to it by law.

Sec. 9. The department may make an adjustment if a political subdivision, in an appeal filed under IC 6-13, demonstrates that the adjustment is reasonably necessary to fund the operation of:

- (1) a new facility opened by the political subdivision after December 31, 1972; or
- (2) an existing facility that has not been used for at least three (3) years and that is being reopened by the political subdivision after July 1, 1988.

The adjustment, if approved, shall be an amount equal to the increase in costs resulting from the activity described in subdivision (1) or (2). In determining the amount of the increased costs, the department shall consider the costs to the political subdivision of complying with safety, health, space, heat, or lighting standards required by state or federal law or regulation and the other physical operation costs that in the opinion of the department justify an adjustment.

Sec. 10. The department may make an adjustment if a political subdivision, in an appeal filed under IC 6-13, demonstrates that the adjustment is reasonably necessary due to increased costs of the political subdivision resulting from:

- (1) annexation;
- (2) consolidation; or
- (3) other extensions of governmental services by the political subdivision to additional geographic areas or persons.

The amount of the adjustment is the amount reasonably necessary to pay the increased costs.

Sec. 11. The department may make an adjustment to eliminate the effects of temporary adjustments made by the department.

Sec. 12. Subject to section 13 of this chapter, the department may make an adjustment to eliminate the cumulative effects of incorrect data, computations, or advertisements on controlled taxes. If the adjustment is made for an ensuing year after income tax rates have been certified, the department may order a distribution from the political subdivision's rainy day fund for the ensuing year to replace the amount lost in the ensuing year as a result of the incorrect data, computations, or advertisements.

Sec. 13. The primary method of funding a shortfall is to order a distribution from the rainy day fund to cover the shortfall. The amount used to cover the shortfall would be replaced through the imposition of an excluded income tax under IC 6-11-9 in the years determined by the department. However, for good cause, the

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department may make an adjustment to eliminate the effects of a shortfall of controlled taxes.

Sec. 14. The department may make a temporary adjustment to eliminate a political subdivision's excessive cash balances:

(1) that a political subdivision:

(A) has accumulated; or

(B) will accumulate in the ensuing year if an adjustment is not made under this section; and

(2) that are available for the purposes for which a controlled tax would otherwise be imposed.

Sec. 15. The department may not consider any of the following as excessive cash balances:

(1) Money in a political subdivision's rainy day fund under IC 36-1-8-5.1.

(2) Money that is being accumulated by a political subdivision in a rainy day fund or for another purpose approved by the department.

(3) Gifts, bequests, and grants from a private individual, the federal government, or another entity.

(4) Money designated in a law as miscellaneous revenue or otherwise designated by law or rule of the department as revenue that is not to be considered in determining a political subdivision's controlled tax limit.

(5) Excluded taxes.

(6) The proceeds of bonds or other obligations approved by the department.

Sec. 16. The department shall consider money in a political subdivision's excess revenue fund account under IC 6-13-22 as an excessive cash balance.

Sec. 17. The department may make an adjustment to reflect a reduction in the:

(1) political subdivision's services;

(2) political subdivision's cost of services; or

(3) geographic areas or persons served by the political subdivision.

Sec. 18. The department shall make the adjustments reasonably necessary to do the following:

(1) To pay the principal or interest on an obligation to meet the requirements of the family and children's fund for child services (as defined in IC 12-19-7-1) other than loans and bonds payable under IC 6-15-3-8.

(2) To pay the principal or interest on an obligation to meet

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the requirements of the children's psychiatric residential treatment services fund for children's psychiatric residential treatment services (as defined in IC 12-19-7.5-1) other than loans and bonds payable under IC 6-15-3-8.

Chapter 6. Additional Relief and Requirements

Sec. 1. If grounds exist for an adjustment under this article or IC 6-13, the department may do any of the following:

(1) Order a transfer of money from the political subdivision's rainy day fund under IC 36-1-8-5.1 to temporarily replace the amount of the shortfall.

(2) Order a transfer from the political subdivision's excess revenue fund account.

(3) Grant any necessary permission for a grant or grants from any funds of the state that are available for the purpose.

(4) Grant any necessary permission for a loan or loans from any funds of the state that are available for the purpose.

(5) Grant any necessary permission for the political subdivision to borrow funds from a source other than the state or any necessary assistance in obtaining the loan.

(6) Grant any necessary permission for an advance or advances of funds that will become payable to the political subdivision under any law providing for the payment of state funds to the political subdivision.

(7) Grant permission to the political subdivision to:

(A) cancel any unpaid obligation of the political subdivision's general fund to the political subdivision's cumulative building fund; or

(B) use, for general fund purposes, any unobligated balance in the political subdivision's cumulative building fund and the proceeds of any levy made or to be made by the political subdivision for the political subdivision's cumulative building fund.

(8) Grant permission, subject to any agreement with the bondholders, to use, for general fund purposes, any unobligated balance in any construction fund, including any unobligated proceeds of a sale of the political subdivision's general obligation bonds.

Sec. 2. (a) This section applies only to a school corporation.

(b) This section does not apply to an adjustment granted for any of the following:

(1) An adjustment for the transportation fund that is necessary because of a transportation operating cost increase

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of at least ten percent (10%) over the preceding year as a result of at least one (1) of the following:

(A) A fuel expense increase.

(B) A significant increase in the number of students enrolled in the school corporation who need transportation or a significant increase in the mileage traveled by the school corporation's buses due to students enrolled in the school corporation as compared to the previous year.

(C) A significant increase in the number of students enrolled in special education who need transportation or a significant increase in the mileage traveled by the school corporation's buses due to students enrolled in special education as compared to the previous year.

(D) Increased transportation operating costs due to compliance with a court ordered desegregation plan.

(E) The closure of a school building within the school corporation that results in a significant increase in the distances that students must be transported to attend school in another school building.

(2) An adjustment that is necessary because the amount of total revenue actually received or estimated to be received by the school corporation on behalf of students transferring to the school corporation is less than the total transfer tuition payments actually made or estimated to be made on behalf of students transferring from the school corporation.

(c) Every school corporation with respect to which the department authorizes an adjustment under IC 6-12-5-8 is, if the school corporation accepts the adjustment, prohibited throughout any year in which or for which the school corporation receives the adjustment from taking any of the prohibited actions described in this section without the prior approval of the department.

(d) The prohibited actions are any of the following:

(1) The acquisition of real estate for school building purposes, the construction of new school buildings, or the remodeling or renovation of existing school buildings.

(2) The making of a lease of real or personal property for an annual rental or the incurring of any other contractual obligation (except an employment contract for a new employee, which contract is to supersede the contract of a terminating employee) calling for an annual outlay by the school corporation in excess of ten thousand dollars (\$10,000).

(3) The purchase of personal property for a consideration in

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1 excess of ten thousand dollars (\$10,000).

2 (4) The adoption or advertising of a budget, tax levy, or tax
3 rate for any year.

4 (e) If a school corporation subject to the controls described in
5 this section takes any of the actions described in subsection (d)
6 without having obtained the prior approval of the department, the
7 department may take appropriate steps to reduce or terminate any
8 adjustment granted under IC 6-12-5 or any other relief granted
9 under section 1 of this chapter.

10 Sec. 3. (a) In addition to, or instead of, any adjustment under
11 IC 6-12-5, the department may permit a school corporation to
12 make a referendum tax levy for the ensuing year under this section
13 if a majority of the individuals voting in a referendum held in the
14 school corporation approves the school corporation making a
15 referendum tax levy.

16 (b) If the school corporation requests that the department take
17 the steps necessary to cause a referendum to be conducted, the
18 department shall proceed as follows:

19 (1) The question to be submitted to the voters in the
20 referendum must read as follows:

21 "For the __ (insert number) year or years immediately
22 following the holding of the referendum, shall the school
23 corporation impose a property tax rate that does not
24 exceed _____ (insert amount) cents (\$0. __) (insert
25 amount) on each one hundred dollars (\$100) of assessed
26 valuation and that is in addition to the school corporation's
27 normal tax rate?".

28 The voters in a referendum may not approve a referendum
29 tax levy that is imposed for more than seven (7) years.
30 However, a referendum tax levy may be reimposed or
31 extended under this section.

32 (2) The department shall act under IC 3-10-9-3 to certify the
33 question to be voted on at the referendum to the county
34 election board of each county in which any part of the school
35 corporation lies. Each county clerk shall, upon receiving the
36 question certified by the department, call a meeting of the
37 county election board to make arrangements for the
38 referendum. The referendum shall be held in the next primary
39 or general election in which all the registered voters who are
40 residents of the school corporation are entitled to vote after
41 certification of the question under IC 3-10-9-3. However, if
42 the referendum would be held at a primary or general

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election more than six (6) months after certification by the department, the referendum shall be held at a special election to be conducted not less than ninety (90) days after the question is certified to the circuit court clerk or clerks by the department. The school corporation shall notify each affected county election board of the date on which the school corporation desires that the referendum be held, and, if practicable, the referendum shall be held on the day specified by the school corporation. The referendum shall be held under the direction of the county election board, which shall take all steps necessary to carry out the referendum. If a primary election, general election, or special election is held during the sixty (60) days preceding or following the special election described in this subdivision and is held in an election district that includes some, but not all, of the school corporation, the county election board may also adopt orders to specify when the registration period for the elections cease and resume under IC 3-7-13-10. Not less than ten (10) days before the date on which the referendum is to be held, the county election board shall cause notice of the question that is to be voted upon at the referendum to be published in accordance with IC 5-3-1. If the referendum is not conducted at a primary or general election, the school corporation in which the referendum is to be held shall pay all the costs of holding the referendum.

(3) Each county election board shall cause the question certified to the circuit court clerk by the tax control board to be placed on the ballot in the form prescribed by IC 3-10-9-4. The county election board shall also cause an adequate supply of ballots and voting equipment to be delivered to the precinct election board of each precinct in which the referendum is to be held.

(4) The individuals entitled to vote in the referendum are all the registered voters resident in the school corporation.

(5) Each precinct election board shall count the affirmative votes and the negative votes cast in the referendum and shall certify those two (2) totals to the county election board of each county in which the referendum is held. The circuit court clerk of each county shall, immediately after the votes cast in the referendum have been counted, certify the results of the referendum to the department. If a majority of the individuals who voted in the referendum voted "yes" on the referendum

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question, the department, upon being notified of the result of the referendum, shall take prompt and appropriate steps to notify the school corporation that the appellant school corporation is authorized to collect, for the year that next follows the year in which the referendum is held, a referendum tax levy not greater than the amount approved in the referendum. The referendum tax levy may be imposed for the number of years approved by the voters following the referendum for the school corporation in which the referendum is held. If a majority of the individuals who voted in the referendum voted "yes" on the referendum question, the school corporation shall establish a referendum tax levy fund under IC 21-2-11.6. A school corporation's referendum tax levy may not be considered in the determination of the school corporation's state tuition support under IC 21-3-1.7 or the determination of the school corporation's controlled levy limit or controlled tax limit under this article and IC 21-3-1.7. If a majority of the persons who voted in the referendum did not vote "yes" on the referendum question, the school corporation may not make any referendum levy for its general fund, and another referendum under this section may not be held for a period of one (1) year after the date of the referendum.

Sec. 4. With respect to any political subdivision to which a loan or an advance of state funds is made under section 1 of this chapter, or for which a loan or an advance is recommended under section 1 of this chapter for purposes other than for the purpose of remedying a shortfall under IC 6-13-17-3, the department may authorize an additional excluded property tax levy for a specified year solely for the purpose of enabling the political subdivision to repay the loan or advance. The department shall, in the department's order, specify the amount of the authorized additional excluded property tax levy and take appropriate steps to ensure that the amount of the proceeds of the additional excluded property tax levy that should be used for loan repayment purposes is not used for any other purpose. The department may not exercise the power described in this section for a particular subdivision for more than one (1) year in any period of four (4) consecutive years.

SECTION 44. IC 6-13 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

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ARTICLE 13. FIXING BUDGETS AND BUDGET REVENUES

Chapter 1. Definitions

Sec. 1. The definitions in IC 6-1.1, IC 6-11, and IC 36-1-2 apply throughout this article.

Sec. 2. The definitions in this chapter apply throughout this article.

Sec. 3. "Income tax" refers to a county income tax imposed under IC 6-11.

Chapter 2. Exempt Political Subdivisions

Sec. 1. This article applies to the imposition of controlled taxes and excluded taxes.

Sec. 2. This article applies to a political subdivision only if the political subdivision is granted the power by another law to impose a property tax, regardless of whether the political subdivision imposes a property tax.

Sec. 3. The budget of a political subdivision that:

(1) does not have the power to impose a property tax; and
 (2) is a special taxing district, an authority, a board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to a political subdivision that has the power to impose a property tax; must be included, in the manner specified by the department, in the budget presented by a political subdivision with the power to impose a property tax.

Chapter 3. Local Government Tax Control Board

Sec. 1. As used in this chapter, "board" refers to the local government tax control board.

Sec. 2. The local government tax control board is established.

Sec. 3. Except in matters related to school construction, school bonds, and school leases, the board consists of seven (7) voting members and two (2) nonvoting members. In the case of matters related to school construction, bonds, and leases, the board consists of eleven (11) voting members and two (2) nonvoting members.

Sec. 4. Seven (7) voting members of the board shall be appointed as follows:

- (1) One (1) member appointed by the state board of accounts.
- (2) One (1) member appointed by the department.
- (3) Five (5) members appointed by the governor. Three (3) of the members appointed by the governor must be citizens of Indiana who do not hold a political or an elective office in state or local government. The governor may seek the recommendation of representatives of the cities, towns, and

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counties before appointing two (2) members to the board. The governor may seek the recommendation of the state superintendent of public instruction with regard to one (1) of the governor's appointments.

Sec. 5. The additional members of the board for purposes of matters related to school construction, bonds, and leases shall be appointed as follows:

(1) One (1) member, appointed by the president pro tempore of the senate, who must be a business official of a school corporation and is not employed by a school corporation that is undergoing a construction project.

(2) One (1) member, appointed by the president pro tempore of the senate, who must be an engineer knowledgeable in the construction of school buildings but who is not actively employed by an engineering firm that is involved in a school building construction project or who is not otherwise a party to a contract for engineering services for a school building construction project.

(3) One (1) member, appointed by the speaker of the house of representatives, who must be an architect knowledgeable in the design of school buildings but who is not actively employed by an architectural firm that is involved in a school building construction project or who is not otherwise a party to a contract for architectural services for a school building construction project.

(4) One (1) member, appointed by the speaker of the house of representatives, who must be a financial adviser who is not actively employed as a financial adviser to a school corporation that is involved in a school building construction project or who is not otherwise a party to a contract for financial advisory services for a school building construction project.

Sec. 6. The nonvoting members of the board shall be appointed as follows:

(1) One (1) member of the house of representatives, appointed by the speaker of the house.

(2) One (1) member of the senate, appointed by the president pro tempore of the senate.

Sec. 7. A member of the board serves at the will of the member's appointing authority.

Sec. 8. The board shall annually hold an organizational meeting. At this organizational meeting, the board shall elect a chairperson

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1 and a secretary from its membership. The board shall meet after
2 each organizational meeting as often as its business requires.

3 Sec. 9. The department shall provide the board with rooms,
4 staff, and secretarial assistance for its meetings.

5 Sec. 10. (a) Members of the board serve without compensation,
6 except as provided in this section.

7 (b) Each member of the board who is not a state employee is
8 entitled to receive both of the following:

9 (1) The minimum salary per diem provided by
10 IC 4-10-11-2.1(b).

11 (2) Reimbursement for travel expenses and other expenses
12 actually incurred in connection with the member's duties, as
13 provided in the state travel policies and procedures
14 established by the Indiana department of administration and
15 approved by the budget agency.

16 (c) Each member of the board who is a state employee is entitled
17 to reimbursement for travel expenses and other expenses actually
18 incurred in connection with the member's duties, as provided in the
19 state travel policies and procedures established by the Indiana
20 department of administration and approved by the budget agency.

21 Sec. 11. To carry out its responsibilities, the board has the
22 power to:

23 (1) conduct hearings; and

24 (2) require any officer or member of a political subdivision to:

25 (A) appear before the board; or

26 (B) provide the board with any relevant records or books.

27 Sec. 12. If an officer or a member:

28 (1) fails to appear at a hearing of the board after having been
29 given written notice from the board requiring attendance of
30 the officer or member; or

31 (2) fails to produce for the board's use the books and records
32 that the local government tax control board by written notice
33 required the officer or member to produce;

34 the board may file an affidavit in the circuit court in the
35 jurisdiction in which the officer or member may be found setting
36 forth the facts of the failure.

37 Sec. 13. Upon the filing of an affidavit under section 12 of this
38 chapter, the circuit court shall promptly issue a summons, and the
39 sheriff of the county within which the circuit court is sitting shall
40 serve the summons. The summons must command the officer or
41 member to:

42 (1) appear before the board;

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- 1 (2) provide information to the board; or
 2 (3) produce books and records for the board's use;
 3 as the case may be.

4 **Sec. 14. Disobedience of the summons constitutes, and is**
 5 **punishable as, a contempt of the circuit court that issued the**
 6 **summons.**

7 **Sec. 15. All expenses incident to the filing of an affidavit under**
 8 **section 12 of this chapter and the issuance and service of a**
 9 **summons shall be charged to the officer or member against whom**
 10 **the summons is issued, unless the circuit court finds that the officer**
 11 **or member was acting in good faith and with reasonable cause. If**
 12 **the circuit court finds that the officer or member was acting in**
 13 **good faith and with reasonable cause or if an affidavit is filed and**
 14 **no summons is issued, the expenses shall be charged against the**
 15 **county in which the affidavit was filed and shall be allowed by the**
 16 **proper fiscal officers of that county.**

17 **Sec. 16. In considering an appeal, the board has the power to:**

- 18 (1) conduct hearings; and
 19 (2) require any officer or member of a political subdivision to:
 20 (A) appear before the board; or
 21 (B) provide the board with any relevant records or books.

22 **Sec. 17. If an officer or a member:**

- 23 (1) fails to appear at a hearing of the board after having been
 24 given written notice from the board requiring attendance of
 25 the officer or member; or
 26 (2) fails to produce for the board's use the books and records
 27 that the board by written notice required the officer or
 28 member to produce;
 29 the board may file an affidavit in the circuit court in the
 30 jurisdiction in which the officer or member may be found setting
 31 forth the facts of the failure.

32 **Sec. 18. Upon the filing of an affidavit under section 17 of this**
 33 **chapter, the circuit court shall promptly issue a summons, and the**
 34 **sheriff of the county within which the circuit court is sitting shall**
 35 **serve the summons. The summons must command the officer or**
 36 **member to:**

- 37 (1) appear before the board;
 38 (2) provide information to the board; or
 39 (3) produce books and records for the board's use;
 40 as the case may be.

41 **Sec. 19. Disobedience of the summons constitutes, and is**
 42 **punishable as, a contempt of the circuit court that issued the**

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1 summons.

2 **Sec. 20.** All expenses incident to the filing of an affidavit under
3 section 17 of this chapter and the issuance and service of a
4 summons shall be charged to the officer or member against whom
5 the summons is issued, unless the circuit court finds that the officer
6 or member was acting in good faith and with reasonable cause. If
7 the circuit court finds that the officer or member was acting in
8 good faith and with reasonable cause or if an affidavit is filed and
9 no summons is issued, the expenses shall be charged against the
10 county in which the affidavit was filed and shall be allowed by the
11 proper fiscal officers of that county.

12 **Chapter 4. General Provisions**

13 **Sec. 1.** Except as provided by this article, a political subdivision
14 may not expend money that is not appropriated in conformity with
15 this article.

16 **Sec. 2.** Except as corrected under IC 6-13-5 or adjusted under
17 another provision of this article, the appropriation of any
18 combination of:

- 19 (1) property taxes; or
20 (2) income taxes;

21 may not exceed the amount of income taxes and the property taxes
22 advertised under IC 6-13-7.

23 **Sec. 3. A:**

- 24 (1) political subdivision's budget, property taxes, property tax
25 rates, and allocations of income tax; and
26 (2) county's income tax and income tax rate;

27 for the ensuing year must be imposed or made at the amount or
28 rate certified by the department, as adjusted after any appeal to
29 the tax court as allowed by law. The excess is void.

30 **Sec. 4.** The excess of an expenditure that does not comply with
31 section 1 of this chapter or the part of a tax that exceeds an amount
32 or a rate permitted under sections 2 and 3 of this chapter is void.

33 **Sec. 5.** The department may prescribe the forms that must be
34 used and the information to be included in forms used under this
35 article. A form prescribed by the department must be approved by
36 the state board of accounts.

37 **Sec. 6.** The department may delay the time in which any action
38 required under this article must be completed for just cause. Notice
39 of the delay must be given to the affected political subdivisions.

40 **Sec. 7.** A political subdivision shall:

- 41 (1) use the forms prescribed by the department and approved
42 by the state board of accounts; and

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(2) comply with any change in a deadline made under section 6 of this chapter.

Sec. 8. The department shall enforce this article, IC 6-11, IC 6-12, IC 6-14, IC 6-15, and all other laws governing budgets and the imposition of property taxes and income taxes by a political subdivision or the council.

Sec. 9. To the extent waived by the department, failure of the council, a political subdivision, the local government control board, or the department to complete any action within the time or time limits provided by this article or any other law does not invalidate any expenditure, tax, or tax rate. In exercising any waiver under this section, the department shall give taxpayers a reasonable opportunity to appeal budgets, taxes, and tax rates under this article.

Sec. 10. After 2006, for the purposes of certifying property taxes and property tax rates and applying homestead credits and property tax replacement credits:

- (1) the department;
- (2) county auditors; and
- (3) county treasurers;

shall compute, apply, and bill property taxes, property tax rates, homestead credits, and property tax replacement credits rates in counties that received a certified distribution of county adjusted gross income tax in 2006 the same way that the department calculates and applies property taxes, property tax rates, homestead credits, and property tax replacement credits in other counties.

Sec. 11. The department may establish the method by which calculations for controlled tax limits, controlled levy limits, total allowable tax increase amounts, annual controlled tax increases, taxes, tax rates, allocations, distributions, property tax replacement credits, homestead credits, and other related matters are rounded whenever a law does not establish the method for rounding.

Chapter 5. Exchange of Revenue Data and Assumptions; Correction of Errors

Sec. 1. Each year before July 2 or a later date specified by the department, a county auditor shall certify to the department the property tax and assessed value information specified by the department.

Sec. 2. Each year before August 2, the department shall certify the following information for each political subdivision:

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(1) The political subdivision's controlled tax limit for the current year and the political subdivision's controlled tax limit for the ensuing year, as determined before granting any appeals under IC 6-13-13 or making any corrections under this chapter.

(2) The political subdivision's controlled levy limit for the current year and the political subdivision's controlled levy limit for the ensuing year.

(3) The political subdivision's annual controlled tax increase for the ensuing year and the political subdivision's total allowable tax increase amount for all years after 2006.

(4) The total amount that must be deposited in the political subdivision's rainy day fund and an estimate of the excluded income tax that must be imposed in the ensuing year to raise the amount of the deposit and the part of the amount imposed for the rainy day fund that is attributable to replacing amounts expended to fund shortfalls, appeals, or eliminate the effects of incorrect data, computations, and advertisements.

(5) An estimate of the controlled income tax rate and excluded tax rate increases in the county that are necessary to the sum of the annual controlled tax increases and excluded tax increases that must be imposed in the ensuing year for all political subdivisions in the county.

(6) Any other information that the department determines is necessary for the political subdivision to adopt a budget, taxes, and tax rates.

Sec. 3. A separate calculation must be made under section 2 of this chapter for each county in which a political subdivision is located. The calculation for a county applies only to the part of the political subdivision that is located in the county.

Sec. 4. The department of state revenue and the budget agency shall assist the department in forecasting and computing income tax information.

Sec. 5. The information certified under section 2 of this chapter must be distributed to the:

- (1) fiscal officer of the political subdivision; and
- (2) county auditor of each county in which the political subdivision is located.

Sec. 6. The department shall provide with all tax rates, tax amounts, and other calculations distributed to a county auditor or political subdivision the supporting work papers needed to verify the accuracy and completeness of the tax rates, tax amounts, and

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1 other calculations.

2 **Sec. 7. Each year before August 2, a county auditor shall send**
 3 **a certified statement, under the seal of the board of county**
 4 **commissioners, to the fiscal officer of each political subdivision of**
 5 **the county and the department. The statement must contain at**
 6 **least the following:**

7 (1) Information concerning the assessed valuation in the
 8 political subdivision for the ensuing year.

9 (2) An estimate of the taxes to be distributed to the political
 10 subdivision during the last six (6) months of the current year.

11 (3) The current assessed valuation as shown on the abstract of
 12 charges.

13 (4) The average growth in assessed valuation in the political
 14 subdivision over the preceding three (3) years, excluding years
 15 in which a general reassessment occurs, determined according
 16 to procedures established by the department.

17 (5) The balance in the political subdivision's excess revenue
 18 fund account.

19 (6) Any other information at the disposal of the county
 20 auditor that might affect the assessed value used in the budget
 21 adoption process.

22 **Sec. 8. The estimate of taxes to be distributed under section 7 of**
 23 **this chapter must be based on:**

24 (1) the abstract of taxes levied and collectible for the current
 25 year, less any taxes previously distributed for the year; and

26 (2) any other information at the disposal of the county auditor
 27 that might affect the estimate.

28 **Sec. 9. The fiscal officer of each political subdivision shall**
 29 **review and present the information received under this chapter to**
 30 **the proper officers of the political subdivision.**

31 **Sec. 10. If any information:**

32 (1) certified under this chapter;

33 (2) distributed by the department to a council, county auditor,
 34 or political subdivision under any law;

35 (3) distributed by the county auditor to a council, a political
 36 subdivision, or the department under any law; or

37 (4) distributed by a political subdivision to a council, the
 38 county auditor, another political subdivision, or the
 39 department under any law;

40 relating to property taxes or income taxes contains an error, the
 41 authority distributing the information may correct the error by
 42 distributing an amended statement identifying the changes being

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made and the source of the error. If a fiscal officer discovers an error, the fiscal office shall notify the authority distributing the information to resolve the error.

Sec. 11. (a) The department may adjust taxes, tax rates, budgets, allocations, distributions, property tax replacement credits, homestead credits, controlled levy limits, and controlled tax limits, order a temporary distribution from a political subdivision's rainy day fund, or take any other action, as necessary, to eliminate the cumulative effect of incorrect data, computations, or advertisements if the proposed adjustment:

(1) either:

(A) is based on information first obtained by the political subdivision or council after the initial publication of a notice for a public hearing under this article or IC 6-11;

(B) results from:

(i) an erroneous computation or any other mathematical error; or

(ii) the use of erroneous data; or

(C) is based on an advertising error; and

(2) in the case of an adjustment affecting the amount of a tax or a tax rate, is published by the county auditor or a political subdivision according to a notice provided by the department.

(b) The department may take an action under this section:

(1) on its own motion after notifying the affected political subdivision and the county auditor for the affected county;

(2) after receiving notice of an error under section 10 of this chapter; or

(3) as part of an appeal under IC 6-13-13.

A request under this section may be combined with a request under IC 6-13-17 to make up a shortfall.

Sec. 12. Information, as corrected under this chapter, shall be used in setting budgets, controlled tax limits, controlled levy limits, taxes, tax rates, allocations, and distributions of controlled taxes and excluded taxes.

Sec. 13. The department shall under IC 6-11 compute tax amounts, tax rates, allocations, reserves, retention amounts, and distribution amounts to be used by councils, county auditors, and political subdivisions in administering the county income tax.

Sec. 14. The department shall establish a regular schedule throughout each year for the distribution to county auditors and the fiscal officer of each political subdivision of supplemental income tax forecasts and other information that will assist political

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subdivisions in the administration of budgets and taxes.

Chapter 6. Annual Hearing on County Income Taxes

Sec. 1. IC 6-11 applies to the adoption of income taxes in a county.

Sec. 2. Before August 7 of each year, the county auditor shall publish a notice under IC 5-3-1:

- (1) explaining the county income taxes for the ensuing year;
- (2) providing the public with notice of the date, time, and place that a public hearing will be held under IC 6-11-3-15 a resolution proposing an ordinance to the council;
- (3) notice of any ordinance being proposed under IC 6-11-7-10; and
- (4) an explanation of any pending actions before the council related to the adoption or change in an excluded income tax.

Sec. 3. Before August 21, the council shall conduct a public hearing in the county seat for the county. Each fiscal body that is a member of the council shall designate at least one (1) member of the council to attend the public hearing.

Sec. 4. Members of the council must be available at the public hearing to hear public testimony and to answer questions from the public about the county income tax.

Sec. 5. As soon as practicable after the public hearing, the county auditor shall prepare a written summary of the meeting and distribute the summary to the chair of each fiscal body that is a member of the council.

Chapter 7. Estimated Budget; Property Tax Levies; Public Notice

Sec. 1. The proper officers of a political subdivision shall formulate an estimated budget for the political subdivision that identifies the source of revenue for each proposed appropriation. However, state and federal government distributions for township assistance, unemployment relief, old age pensions, and other funds that may at any time be made available under The Economic Security Act or under any other federal act that provides for civil and public works projects need not be made part of the budget.

Sec. 2. The political subdivision shall give notice by publication to taxpayers of at least the following:

- (1) The estimated budget for the ensuing year that identifies the sources of revenue for each fund that the political subdivision proposes to use to fund the budget.
- (2) If any proposed ordinances are pending before the council in the county, a separate explanation of any changes the

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political subdivision will make in its budget or in the sources of revenue that the political subdivision proposes to use to fund its budget if the pending ordinances are adopted.

(3) The current and proposed property tax levies of each fund.

(4) The amount by which the political subdivision is seeking to increase the political subdivision's controlled tax limit or controlled levy limit, or both, by appeal under this article, the sources of revenue that the political subdivision intends to use in the ensuing year to fund the amount under appeal, and an explanation of the extent to which the appeal will permanently increase the amount and rate of taxes imposed in subsequent years.

(5) The explanation of the political subdivision's budget, taxes, and other revenues that are required by the department.

Sec. 3. A notice under this chapter may not include an amount for a cumulative fund sinking fund, or other fund with a fixed rate levy that is subject to IC 6-15 if notice is not given to the department in conformity with IC 6-15.

Sec. 4. A political subdivision that is located in more than one (1) county must publish a notice in each county. The notice published for a county must separately state the amount of taxes to be raised in the county for the estimated budget.

Sec. 5. In the notice, the political subdivision shall state the date, time, and place at which at least one (1) public hearing will be held on the political subdivision's estimated budget and proposed sources of revenues to fund the estimated budget.

Sec. 6. The notice must be published at least two (2) times before the hearing in accordance with IC 5-3-1. The first publication of the notice must occur at least ten (10) days before the date fixed for the public hearing.

Sec. 7. A political subdivision shall conduct each public hearing on the political subdivision's estimated budget and proposed taxes and other sources of revenue to fund the estimated budget at the date, time, and place specified in the notices published under this chapter. However, the political subdivision may move the location of a hearing to another room by posting a notice at the door where the published notice indicates the meeting will be held if:

- (1) moving to another room is necessary to accommodate all persons who wish to attend the hearing or if circumstances make the original meeting place unuseable; and
- (2) the site of the relocated hearing is easily accessible from the original meeting place.

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1 **Sec. 8.** A political subdivision that is located in more than one
 2 (1) county may conduct a hearing required under this chapter in
 3 any county in which the political subdivision is located. The board
 4 of directors of a solid waste management district established under
 5 IC 13-21 or IC 13-9.5-2 (before its repeal) shall conduct the public
 6 hearing required under this chapter in accordance with the annual
 7 notice of meetings published under IC 13-21-5-2.

8 **Sec. 9.** Except to the extent waived by the department, if a fiscal
 9 body does not formulate and publish:

10 (1) its estimated budget; and

11 (2) the proposed revenue sources needed to fund the estimated
 12 budget;

13 as required under this chapter, the most recent annual
 14 appropriations and estimated budget revenue sources needed to
 15 fund the estimated budget shall be treated as the estimated
 16 appropriations and estimated budget revenue sources needed to
 17 fund the estimated budget formulated by the political subdivision
 18 for the ensuing budget year.

19 **Chapter 8. Objection to Estimated Budget or Proposed Taxes**
 20 **After Hearing**

21 **Sec. 1.** Ten (10) or more property taxpayers may object to:

22 (1) a political subdivision's budget; or

23 (2) the property taxes proposed to fund the budget;

24 or both, by filing an objection petition with the fiscal officer of the
 25 political subdivision not more than seven (7) days after the hearing.

26 **Sec. 2.** The objection petition must specifically identify the
 27 provisions of the:

28 (1) budget; and

29 (2) property taxes;

30 to which the taxpayers object.

31 **Chapter 9. Adoption of Budget**

32 **Sec. 1.** The fiscal body shall meet each year to adopt one (1) or
 33 more ordinances to fix:

34 (1) a budget for the political subdivision that identifies the
 35 sources of revenue for each appropriation; and

36 (2) the property tax levies and property tax rates necessary to
 37 fund the adopted budget;

38 for the ensuing year.

39 **Sec. 2.** Subject to section 7 of this chapter, the fiscal body must
 40 comply with section 1 of this chapter before October 1.

41 **Sec. 3.** Except for Indianapolis, Marion County, or a second
 42 class city, the last public hearing specified in the notice under

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1 IC 6-13-7 must be completed at least ten (10) days before the fiscal
2 body of the political subdivision takes final action under section 1
3 of this chapter. A public hearing, by any committee or by the entire
4 fiscal body, for Indianapolis, Marion County, or a second class city
5 may be held at any time after introduction of the budget.

6 Sec. 4. If a petition is filed under IC 6-13-8 before the date that
7 the fiscal body takes final action on the budget, property tax levies,
8 and property tax rates, the fiscal body of the political subdivision
9 shall adopt with its budget a finding concerning the objections in
10 the petition and any testimony presented at the adoption hearing.

11 Sec. 5. (a) After a political subdivision adopts one (1) or more
12 ordinances under section 1 of this chapter, the political subdivision
13 shall immediately file with the county auditor the information in
14 subsection (b).

15 (b) The political subdivision must file the number of copies of
16 the following specified by the department with the county auditor:

17 (1) The budget for the political subdivision that identifies the
18 sources of revenue for each appropriation.

19 (2) The property tax levies and property tax rates that the
20 political subdivision imposed to fund the adopted budget.

21 (3) Any findings adopted under section 4 of this chapter.

22 Sec. 6. Except to the extent waived by the department, if a fiscal
23 body does not:

24 (1) fix a budget; and

25 (2) impose property tax levies and property tax rates;
26 as required under this chapter, budget, property tax levies, and
27 property tax rates most recently adopted in accordance with law
28 shall be treated as the budget, property tax levies, and property tax
29 rates adopted by the political subdivision for the ensuing year.

30 Sec. 7. (a) This section applies only to a school corporation that
31 is engaged in a pilot project to operate under a budget year that is
32 not a year.

33 (b) Before February 1 of each year, the officers of the school
34 corporation shall meet to fix the budget for the school corporation
35 for the ensuing budget year, with notice given by the same officers.
36 However, if a resolution adopted under subsection (d) is in effect,
37 the officers shall meet to fix the budget for the ensuing budget year
38 before the date specified in section 2 of this chapter.

39 (c) The school corporation shall file with the county auditor:

40 (1) a statement of the budget revenue resources needed to
41 fund the budget adopted by the school corporation for the
42 ensuing budget year;

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(2) two (2) copies of the budget adopted by the school corporation for the ensuing budget year; and

(3) any written notification from the department under this article that specifies a proposed revision, reduction, or increase in the budget adopted by the school corporation for the ensuing budget year.

(d) The governing body of the school corporation may adopt a resolution to cease using a school year budget year and return to using a calendar year budget year. A resolution adopted under this subsection must be adopted after January 1 and before July 1. The school corporation's initial calendar year budget year following the adoption of a resolution under this subsection begins on January 1 of the year following the year the resolution is adopted. The first six (6) months of the initial calendar year budget for the school corporation must be consistent with the last six (6) months of the final school year budget fixed by the department of local government finance before the adoption of a resolution under this subsection.

(e) A resolution adopted under subsection (d) may be rescinded by a subsequent resolution adopted by the governing body. If the governing body of the school corporation rescinds a resolution adopted under subsection (d) and returns to a school year budget year, the school corporation's initial school year budget year begins on July 1 following the adoption of the rescinding resolution and ends on June 30 of the following year. The first six (6) months of the initial school year budget for the school corporation must be consistent with the last six (6) months of the last calendar year budget fixed by the department of local government finance before the adoption of a rescinding resolution under this subsection.

Chapter 10. Review of Budget of Political Subdivision With Unelected Board

Sec. 1. IC 36-3-6-9 and not section 2 of this chapter applies to political subdivisions listed in IC 36-3-6-9.

Sec. 2. This chapter applies only:

(1) to each governing body of a political subdivision that is not comprised of a majority of officials who are elected to serve on the governing body; and

(2) if:

(A) either:

(i) the proposed budget of the political subdivision (other than a public library) that is to be funded from property taxes and income tax for the ensuing year is more than

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five percent (5%) greater than the amount funded from property taxes and income tax (or in 2006, county adjusted gross income tax, county option income tax, or county economic development tax) in the current year; or

(ii) the proposed operating budget of a public library that is to be funded from property taxes and income tax for the ensuing year is more than five percent (5%) greater than the amount funded from property taxes and income tax (or in 2006 county adjusted gross income tax, county option income tax, or county economic development tax) in the current year;

(B) the political subdivision is not a school corporation; and

(C) the political subdivision is not listed in IC 36-3-6-9.

Sec. 3. The governing body of a political subdivision other than a public library shall submit its proposed budget, tax rates, and tax levies to the fiscal body determined under section 4 of this chapter. The governing body of a public library shall submit its proposed operating budget and tax rates and tax levies for the operating budget to the fiscal body determined under IC 36-12-1-14. The:

(1) proposed budget; and

(2) proposed tax levies needed to fund the proposed budget; fixed by the governing body shall be submitted at least fourteen (14) days before the appropriate fiscal body is required to hold budget approval hearings under IC 6-13-7.

Sec. 4. (a) The appropriate fiscal body required to conduct a review under section 5 of this chapter for a political subdivision other than a public library is the fiscal body determined under this section.

(b) If:

(1) the assessed valuation of a political subdivision without a majority of elected officials on its governing board is entirely contained within a city or town; or

(2) the assessed valuation of the political subdivision is not entirely contained within a city or town but the political subdivision was originally established by the city or town;

the governing body shall submit the information required under section 2 of this chapter to the city or town fiscal body.

(c) If subsection (b) does not apply, the governing body of the political subdivision shall submit the information required under section 3 of this chapter to the county fiscal body in the county

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where the political subdivision has the most assessed valuation.

Sec. 5. The reviewing fiscal body shall review the information provided under section 3 of this chapter and adopt an ordinance fixing:

(1) a final budget; and

(2) property tax rates and property tax levies needed to fund the final budget;

for the political subdivision. The reviewing fiscal body may reduce or modify but not increase the proposed budget, property tax rates, and property tax levies needed to fund the proposed budget. However, the power to review information and adopt budgets, property tax rates, and property tax levies for a public library is limited to the operating budget of the public library.

Chapter 11. Notice of Adoption of Budget, Tax Rates, and Tax Levies

Sec. 1. Before October 1, the county auditor shall send a certified copy of:

(1) any income tax ordinance adopted in the year; and

(2) the results of the vote on the ordinance;

to the department and the department of state revenue by certified mail, if the county auditor has not previously sent the information under IC 6-11-3.

Sec. 2. In each year before October 15, the county auditor shall prepare a notice of the:

(1) property tax rates to be charged on each one hundred dollars (\$100) of assessed valuation in each taxing district in;

(2) income taxes to be imposed in the county in; and

(3) actions taken by the council in the year that affect income taxes in;

the ensuing year. The notice shall also inform taxpayers that the department shall conduct a hearing under IC 6-13-14 on the budgets and taxes adopted in the county. To the extent reasonably determinable by the county auditor, the notice must indicate the extent to which a proposed tax or tax rate exceeds the limitations imposed by law on the income taxes and property taxes imposed for any political subdivision in the county. The notice must also inform the taxpayers of the manner in which they may initiate an appeal of a political subdivision's action. The county auditor shall post the notice at the county courthouse and publish it in two (2) newspapers that represent different political parties and have a general circulation in the county.

Sec. 3. The county auditor shall certify the:

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- (1) budgets adopted for political subdivisions in the county for the ensuing year;
 - (2) property tax levies, property tax rates, and income tax rate to be imposed in the county in the ensuing year; and
 - (3) any other information required by the department;
- to the department for final review.

Sec. 4. To the extent reasonably determinable by the county auditor, the certification under section 3 of this chapter must indicate the extent to which a proposed tax or tax rate exceeds the limitations imposed by law on income taxes or property taxes imposed for any political subdivision in the county. The county auditor shall give notice to the affected political subdivision of any certification made under this section.

Chapter 12. Taxpayer Appeal of Final Budget Action

Sec. 1. Except as provided in this chapter, ten (10) or more property taxpayers in a political subdivision may initiate an appeal to the department from a final action on:

- (1) any part of the budget adopted by the political subdivision;
 - or
 - (2) one (1) or more property tax levies or property tax rates imposed by the political subdivision;
- for the ensuing year by filing a statement of their objections with the county auditor.

Sec. 2. An objection under section 1 of this chapter must be filed not later than ten (10) days after the publication of the notice required under IC 6-13-11.

Sec. 3. The statement must specifically identify the provisions of the budget, property tax levies, property tax rates, income tax, or income tax rate to which the taxpayers object.

Sec. 4. The county auditor shall forward an objection filed under this chapter to the department.

Sec. 5. This section applies to provisions of the budget and tax levy of a political subdivision:

- (1) against which an objection petition was filed under IC 6-13-8; and
- (2) that were not changed by the fiscal body of the political subdivision after hearing the objections.

A group of ten (10) or more property taxpayers may not initiate an appeal under section 1 of this chapter if less than seventy-five percent (75%) of the objecting taxpayers under IC 6-13-8 are objecting taxpayers with respect to the objection statement filed under section 1 of this chapter.

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Chapter 13. Political Subdivision Appeals

Sec. 1. A political subdivision or county auditor in any county where the political subdivision is located may use the procedures in this chapter to petition for an adjustment in any combination of the following:

(1) The amount of a political subdivision's controlled tax limit or controlled levy limit for the ensuing year.

(2) A political subdivision's property tax levy or property tax rate.

(3) The amount of income tax that will be allocated to a political subdivision in a county where the political subdivision is located.

(4) One (1) or more appropriations in a political subdivision's budget.

(5) The amount of money:

(A) from a political subdivision's rainy day fund to be used to fund expenditures in the ensuing year; or

(B) to be deposited in the political subdivision's rainy day fund in the ensuing year.

Sec. 2. A petitioner may:

(1) before October 1 of the year immediately preceding the ensuing year; or

(2) in the case of a request related to a:

(A) correction of computations or data under IC 6-13-5; or

(B) shortfall under IC 6-13-17;

that does not affect an income tax rate before January 1 of the ensuing year;

appeal to the department for an adjustment described in section 1 of this chapter.

Sec. 3. In the appeal, the petitioner must state:

(1) the nature of the requested adjustment; and

(2) the grounds that authorize the adjustment.

The petitioner must support these allegations by reasonably detailed statements of fact.

Sec. 4. A taxpayer that files a proper objection under:

(1) IC 6-13-12-1 concerning a budget, property tax rate, or property tax levy that is the subject of an appeal under this chapter is a party to the appeal under this chapter; and

(2) IC 6-13-12-2 concerning an income tax or income tax rate that is the subject of an appeal under this chapter, is a party to the appeal under this chapter.

Sec. 5. The department shall promptly deliver to the local

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1 government tax control board every appeal petition it receives
 2 under section 2 of this chapter and any materials it receives
 3 relevant to those appeals.

4 Sec. 6. The department shall give expedited treatment to matters
 5 related to the following:

6 (1) An income tax or income tax rate.

7 (2) An emergency request for relief by a school that requires
 8 a referendum under IC 6-12.

9 Sec. 7. Upon receipt of an appeal petition, the local government
 10 tax control board shall immediately proceed to the examination
 11 and consideration of the merits of the petitioner's appeal.

12 Sec. 8. After the examination, the local government tax control
 13 board shall make a recommendation to the department.

14 Sec. 9. The department, upon receiving a recommendation from
 15 the local government tax control board, shall enter an order:

16 (1) adopting;

17 (2) rejecting; or

18 (3) adopting in part and rejecting in part;

19 the recommendation of the local government tax control board.

20 Sec. 10. The department may make only the adjustments
 21 allowed by law. The department shall make the adjustments
 22 necessary to fund any appropriation that is required by law.

23 Sec. 11. The petitioner or any affected political subdivision may
 24 petition for judicial review of the final determination of the
 25 department under this chapter. The action must be taken to the tax
 26 court under IC 6-1.1-15 in the same manner that an action is taken
 27 to appeal a final determination of the Indiana board. The petition
 28 must be filed in the tax court not more than forty-five (45) days
 29 after the department enters its final order under this chapter.

30 Chapter 14. State Review of Budgets and Budget Revenue
 31 Resources

32 Sec. 1. The department shall review and certify under this
 33 chapter the:

34 (1) budget, property tax levies, and property tax rates of each
 35 political subdivision;

36 (2) income tax and income tax rate imposed by each county;
 37 and

38 (3) allocations of income taxes to each political subdivision;
 39 for an ensuing year.

40 Sec. 2. The department shall revise or reduce budgets, taxes, tax
 41 rates, and allocations in order to limit:

42 (1) property tax rates, property tax levies, income taxes, and

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1 income tax rates to the maximum amount permitted by law,
 2 after making any adjustments allowed by law; and
 3 (2) a budget to the amount of revenue, including cash balances
 4 and transfers from a rainy day fund, that is available in the
 5 ensuing year to the political subdivision to fund the budget.

6 Sec. 3. The department may increase:

- 7 (1) a part of a budget that is funded from controlled taxes; or
- 8 (2) the amount or rate of controlled taxes;

9 only as permitted under IC 6-12 and this article.

10 Sec. 4. The department shall make a revision or reduction in a
 11 political subdivision's budget only with respect to the total amounts
 12 budgeted for each office or department within each of the major
 13 budget classifications prescribed by the state board of accounts.

14 Sec. 5. Before the department reviews, revises, reduces, or
 15 increases:

- 16 (1) a political subdivision's budget, taxes, or tax rates;
- 17 (2) an income tax, an income tax rate, or an allocation of
- 18 income taxes; or
- 19 (3) a controlled tax limit or controlled levy limit;

20 the department must hold a public hearing on the matters
 21 described in this section. The department shall hold the hearing in
 22 the affected county. The department may hear matters affecting
 23 more than one (1) political subdivision at the same public hearing.

24 Sec. 6. At least five (5) days before the date fixed for a public
 25 hearing, the department shall give notice of the date, time, and
 26 place of the hearing, the budgets, the taxes and tax rates, and the
 27 allocations to be considered at the hearing. If any matter is under
 28 appeal under IC 6-13-13, the department shall include a brief
 29 description of the matter in the notice. The department shall
 30 publish the notice in two (2) newspapers of general circulation
 31 published in the county. However, if only one (1) newspaper of
 32 general circulation is published in the county, the department of
 33 local government finance shall publish the notice in that
 34 newspaper.

35 Sec. 7. The department shall give the affected political
 36 subdivisions written notification specifying any revision, reduction,
 37 or increase the department proposes to make. If the adjustment is
 38 a reduction in a budget, tax, tax rate, or allocation, a political
 39 subdivision has one (1) week after the date the political subdivision
 40 receives the notice to provide a written response to the
 41 department's Indianapolis office specifying how to make the
 42 required reductions in the amount budgeted for each office or

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department. The department shall make reductions as specified in the political subdivision's response if the response is provided as required by this section and sufficiently specifies all necessary reductions.

Sec. 8. The department may not approve taxes, tax rates, or allocations for lease payments by a city, town, county, library, or school corporation if the lease payments are payable to a building corporation for use by the building corporation for debt service on bonds and if:

- (1) no bonds of the building corporation are outstanding; or
- (2) the building corporation has enough legally available funds on hand to redeem all outstanding bonds payable from the particular lease rental levy requested.

Sec. 9. The department shall certify its actions to:

- (1) the county auditor of each affected county; and
- (2) each affected political subdivision.

Sec. 10. The following may petition for judicial review of the final determination of the department under this chapter:

- (1) The political subdivision.
- (2) If an objection is filed under IC 6-13-12, a taxpayer who signed the objection.
- (3) The county auditor.
- (4) With respect to income tax rates, the department of state revenue.

The petition must be filed in the tax court not more than forty-five (45) days after the department certifies its action under section 9 of this chapter.

Sec. 11. Except as otherwise provided, the department is expressly directed to complete the duties assigned to it under this chapter not later than:

- (1) November 1 immediately preceding the ensuing year for matters related to an income tax or income tax rate; and
- (2) February 15 of the ensuing year for all other matters.

Sec. 12. The department shall annually review the budget of each school corporation before April 2 each year. The department shall give the school corporation written notification specifying any revision, reduction, or increase the department proposes in the school corporation's budget. A public hearing is not required in connection with this review of the budget.

Chapter 15. Publication of Final Tax Rates

Sec. 1. After the county auditor has prepared the tax duplicate for a year under IC 6-1.1-22-3, the county treasurer shall publish

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the notice required under IC 6-1.1-22-4.

Sec. 2. As part of the notice required under IC 6-1.1-22-4, the county treasurer also shall:

(1) give notice of the total county income tax rate imposed in the county for the year; and

(2) separately identify the part of the total county income tax rate that is imposed:

(A) under IC 6-11-7;

(B) as an excluded tax rate under IC 6-11-8; and

(C) under each law authorizing an excluded tax rate in addition to the excluded rate imposed under IC 6-11-8;

and the general purpose of each of the separate rates.

Chapter 16. Supplemental Budgets

Sec. 1. If the fiscal body of a political subdivision desires to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, the fiscal body shall give notice of its proposed additional appropriation. The notice must state the date, time, and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).

Sec. 2. After the public hearing, the political subdivision shall file a certified copy of its final proposal and any other relevant information to the department.

Sec. 3. If the additional appropriation by the political subdivision is made from:

(1) a fund that receives distributions from the motor vehicle highway account established under IC 8-14-1-1 or the local road and street account established under IC 8-14-2-4;

(2) a fund that receives revenue from property taxes; or

(3) the cumulative bridge fund (and the appropriation meets the requirements under IC 8-16-3-3(c));

the political subdivision must report the additional appropriation to the department and comply with sections 4 through 8 of this chapter.

Sec. 4. (a) This section applies only to an appropriation to which section 3 of this chapter applies.

(b) When the department receives a certified copy of a proposal for an additional appropriation, the department shall determine whether sufficient funds are available or will be available for the proposal. The determination shall be made in writing and sent to the political subdivision not more than fifteen (15) days after the department receives the proposal.

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1 **Sec. 5. (a) This section applies only to an appropriation to which**
 2 **section 3 of this chapter applies.**

3 **(b) In making the determination under section 4 of this chapter,**
 4 **the department shall limit the amount of the additional**
 5 **appropriation to revenues available, or to be made available, that**
 6 **have not been previously appropriated.**

7 **Sec. 6. (a) This section applies only to an appropriation to which**
 8 **section 3 of this chapter applies.**

9 **(b) If the department disapproves an additional appropriation**
 10 **under section 4 of this chapter, the department shall specify the**
 11 **reason for its disapproval on the determination sent to the political**
 12 **subdivision.**

13 **Sec. 7. (a) This section applies only to an appropriation to which**
 14 **section 3 of this chapter applies.**

15 **(b) A political subdivision may request a reconsideration of a**
 16 **determination of the department under section 4 of this chapter by**
 17 **filing a written request for reconsideration. A request for**
 18 **reconsideration must:**

- 19 **(1) be filed with the department within fifteen (15) days of the**
 20 **receipt of the determination by the political subdivision; and**
- 21 **(2) state with reasonable specificity the reason for the request.**

22 **Sec. 8. (a) This section applies only to an appropriation**
 23 **described in section 3 of this chapter.**

24 **(b) The department of local government finance must act on a**
 25 **request for reconsideration within fifteen (15) days after receiving**
 26 **the request.**

27 **Chapter 17. Permissible Adjustments in Controlled Taxes and**
 28 **Excluded Taxes**

29 **Sec. 1. The department may make any adjustment in a budget,**
 30 **tax, tax rate, or income tax allocation allowed under this article or**
 31 **another law. The department shall make the adjustments required**
 32 **under IC 6-12. To the extent possible, the department shall make**
 33 **adjustments before the department certifies a political**
 34 **subdivision's controlled tax limit under IC 6-13-5.**

35 **Sec. 2. The department may at any time increase a debt service**
 36 **fund or require an assignment of a political subdivision's allocation**
 37 **of income taxes for the following reasons:**

- 38 **(1) To pay the principal or interest on a funding, refunding, or**
 39 **judgment funding obligation of a political subdivision.**
- 40 **(2) To pay the interest or principal on an outstanding**
 41 **obligation of the political subdivision.**
- 42 **(3) To pay a judgment rendered against the political**

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subdivision.

(4) To pay lease rentals that have become an obligation of the political subdivision under IC 21-5-11 or IC 21-5-12.

Alternatively, the department may treat a required increase under this section in the same manner as a shortfall under this chapter.

Sec. 3. (a) The primary method of funding a shortfall is to order a distribution from the rainy day fund to cover the shortfall described in this section. The amount used to cover the shortfall would be replaced through the imposition of an excluded income tax under IC 6-11-9 in the years determined by the department. However, for good cause, the department may adjust taxes, tax rates, budgets, allocations, controlled levy limits, and controlled tax limits, order a temporary distribution from a political subdivision's rainy day fund, or take any other action, as necessary, to eliminate the cumulative effects of a shortfall in property tax revenue or income taxes that resulted from any of the following:

(1) Erroneous assessed valuation figures that were:

(A) provided to the political subdivision;

(B) used by the political subdivision in determining its total property tax rate; and

(C) discovered to be in error after the political subdivision's property tax levy resulting from that total rate was finally approved by the department.

(2) The payment of refunds in an appeal under IC 6-1.1 and IC 6-1.5.

(3) An error described in IC 6-13-5.

(4) The payment of refunds of income tax under IC 6-8.1.

(5) The sum of the:

(A) property taxes collected for a fund; and

(B) income tax allocations transferred to the political subdivision and available for the purposes of a fund;

are less than ninety-eight percent (98%) of the sum of the property tax levy and income tax allocations certified by the department for the fund.

(6) The granting of an appeal under IC 6-13-13 that authorizes an increase in controlled taxes after the date that department finally determines the income tax rate for a county in which the political subdivision is located.

(b) If the department determines that any of the conditions described in subsection (a) occurred, the department may do any combination of the following:

(1) Order a transfer of money from the political subdivision's

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rainy day fund to temporarily replace the amount of the shortfall.

(2) Order a transfer from the political subdivision's excess revenue fund account.

(3) Grant any necessary permission for a grant or grants from any funds of the state that are available for the purpose.

(4) Grant any necessary permission for a loan or loans from any funds of the state that are available for the purpose.

(5) Grant any necessary permission for the political subdivision to borrow funds from a source other than the state or assistance in obtaining the loan.

(6) Grant any necessary permission for an advance or advances of funds that will become payable to the political subdivision under any law providing for the payment of state funds to the political subdivision.

(7) Grant permission to the political subdivision to:

(A) cancel any unpaid obligation of the political subdivision's general fund to the political subdivision's cumulative building fund; or

(B) use, for general fund purposes, any unobligated balance in the political subdivision's cumulative building fund and the proceeds of any levy made or to be made by the political subdivision for the political subdivision's cumulative building fund.

(8) Grant permission, subject to any agreement with the bondholders, to use, for general fund purposes, any unobligated balance in any construction fund, including any unobligated proceeds of a sale of the political subdivision's general obligation bonds.

(c) The department may take an action under this section as part of an appeal under IC 6-13-13. A request may be combined with a request under IC 6-13-5 to eliminate the effects of incorrect data, computations, or advertisements.

(d) If the department of local government finance authorizes an increase to make up a shortfall, the department shall take appropriate steps to ensure that the proceeds are first used to repay any loan made to the political subdivision for the purpose of meeting its current expenses.

(e) For purposes of fixing its budget and for purposes of the controlled tax limits, a political subdivision may not treat money received to eliminate a shortfall as part of its controlled taxes for the year unless the department determines that inclusion of the

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amount is necessary to eliminate the cumulative effects of the shortfall.

Chapter 18. Miscellaneous Budget Procedures

Sec. 1. The fiscal officer of a political subdivision may appropriate funds received from an insurance company if the funds are:

- (1) received as a result of damage to property of the political subdivision;
- (2) appropriated for the purpose of repairing or replacing the damaged property; and
- (3) in fact expended to repair or replace the property within the twelve (12) month period after they are received.

Sec. 2. Notwithstanding the other provisions of this article, the proper officer or officers of a political subdivision may:

- (1) reappropriate money recovered from erroneous or excessive disbursements if the error and recovery are made within the current budget year; or
- (2) refund, without appropriation, money erroneously received.

Chapter 19. Transfer of Appropriated Amount to Another Purpose

Sec. 1. (a) Except as otherwise provided by law, the proper officers of a political subdivision may transfer money from one (1) major budget classification to another within a department or office if:

- (1) the officers determine that the transfer is necessary;
- (2) the transfer does not require the expenditure of more money than the total amount set out in the budget as finally determined under this article; and
- (3) the transfer is made at a regular public meeting and by ordinance or resolution.

(b) A transfer may be made under this section without notice and without the approval of the department.

Sec. 2. Money raised and budgeted for volunteer firefighting contracts and purposes, if appropriated and spent by that political subdivision, shall be appropriated and spent for those purposes only.

Sec. 3. (a) Money may not be transferred from:

- (1) a family and children's fund;
- (2) a children's psychiatric residential treatment services fund; or
- (3) a township assistance fund or account;

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to any other fund or purpose.

(b) An unused part of a county's controlled tax limit or controlled levy limit attributable to:

(1) a family and children's fund; or

(2) a children's psychiatric residential treatment services fund; or

(3) a township assistance fund or account;

may not be used for any other fund or purpose.

Chapter 20. Administration of State and Federal Funds

Sec. 1. Except as provided in this chapter, a political subdivision may not expend funds that the political subdivision has received from the state unless:

(1) the funds have been included in a budget estimate by the political subdivision; and

(2) the funds have been appropriated by the political subdivision's fiscal body in the amounts and for the specific purposes for which they may be used.

Sec. 2. The following funds received by a political subdivision from the state or the federal government may be expended without complying with section 1 of this chapter:

(1) Township assistance.

(2) Unemployment relief.

(3) Old age pensions.

(4) Other funds that may at any time be made available under The Economic Security Act or under any other federal act that provides for civil and public works projects.

Sec. 3. A political subdivision may use state funds in the event of a casualty, an accident, or an extraordinary emergency by appropriating the state funds in a supplemental budget under IC 6-13-16.

Chapter 21. Mandatory Appropriations

Sec. 1. A county fiscal body shall appropriate funds for the operation of the county highway department for the entire ensuing budget year for which annual appropriations are being made. The appropriation shall be for an amount not less than the greater of:

(1) seventy-five percent (75%) of the total estimated to be in the highway fund in the ensuing budget year; or

(2) ninety-nine percent (99%) of the total estimated to be in the highway fund in the ensuing budget year if the county commissioners file with the county council a four (4) year plan for the construction and improvement of county highways and a one (1) year plan for the maintenance and repair of the

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county highways.

Sec. 2. The trustee of each township in the county shall estimate the amount necessary to meet the cost of township assistance in the township for the ensuing year. The township board shall adopt with the township budget a tax rate sufficient to meet the estimated cost of township assistance. The taxes collected as a result of the tax rate adopted under this subsection are credited to the township assistance fund.

Sec. 3. Each council and political subdivision shall fix tax rates and make appropriations for the appropriate fund that are sufficient to provide money for each purpose described in the following:

(1) IC 6-12-5-24.

(2) IC 6-14-3-7.

Sec. 4. Regardless of whether an adjustment is made in any political subdivision's controlled tax limit, each council and political subdivision shall fix tax rates and make appropriations for the appropriate fund that are sufficient for each the following:

(1) Medical assistance under IC 12-13-8-5.

(2) Hospital care for the indigent under IC 12-16-14-3.

(3) Community mental health centers under IC 12-29-2-2.

(4) Children with special health care needs under IC 16-35-3-3.

(5) Any other law requiring the imposition of a tax for a particular purpose or fund.

Chapter 22. Excess Revenue Account

Sec. 1. As used in this chapter, "account" refers to a political subdivision's account in a fund.

Sec. 2. As used in this chapter, "excess revenue" refers to revenue described in section 4 or 5 of this chapter.

Sec. 3. As used in this chapter, "fund" refers to an excess revenue fund established in a county under this chapter.

Sec. 4. Imposition and collection of the part of a property tax actually collected by a political subdivision for a year that exceeds the amount of property taxes certified for the year is valid and may not be contested on the grounds that the amount exceeds the political subdivision's:

(1) controlled tax limit;

(2) certified tax; or

(3) tax limits imposed by any other law;

for the applicable year.

Sec. 5. Imposition and collection of the part of an income tax

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1 actually collected by a county for a year that exceeds the amount
 2 of income taxes certified for the year is valid and may not be
 3 contested on the grounds that the amount exceeds:

4 (1) a political subdivision's:

5 (A) controlled tax limit;

6 (B) certified tax; or

7 (C) tax limits imposed by any other law;

8 for the applicable year; or

9 (2) the county's:

10 (A) certified tax; or

11 (B) tax limits imposed by any other law.

12 Sec. 6. An excess revenue fund is established in each county for
 13 the deposit of excess revenue collected in a year.

14 Sec. 7. An account for each political subdivision in the county is
 15 established in the fund.

16 Sec. 8. The county treasurer shall administer the fund. The
 17 county treasurer shall invest the money in the fund not currently
 18 needed to meet the obligations of the fund in the same manner as
 19 other public funds may be invested. Interest that accrues from
 20 these investments shall be deposited in the fund. The interest shall
 21 be allocated among the accounts in the fund on the schedule
 22 determined by the department in proportion to the balance in the
 23 account on the date specified by the department.

24 Sec. 9. Money in the fund or an account in the fund at the end of
 25 a year does not revert to the general fund of any political
 26 subdivision but remains in the fund to be used exclusively for the
 27 purposes of fund.

28 Sec. 10. The county treasurer shall deposit the excess revenue
 29 collected in the year in the fund.

30 Sec. 11. The county treasurer shall deposit in a political
 31 subdivision's account:

32 (1) excess revenue from property taxes imposed by the
 33 political subdivision; and

34 (2) a proportionate share of the excess revenue collected from
 35 income taxes;

36 if the sum of the excess property taxes and excess income taxes
 37 exceeds the total amount of property taxes and income tax
 38 allocations certified for the political subdivision for the year.
 39 However, the department may establish procedures for retaining
 40 a small amount of excess revenue in a general account for the
 41 period determined by the department.

42 Sec. 12. A political subdivision shall:

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- (1) include the amount in the political subdivision's account that exceeds one hundred dollars (\$100) in the political subdivision's budget fixed under this article; and
- (2) reduce its property tax levies for the ensuing year by the amount included in the political subdivision's budget under subdivision (1).

Sec. 13. Except as provided by section 15 of this chapter, a political subdivision may not spend money in its account until the expenditure of the money has been included in a budget that has been approved by the department.

Sec. 14. A transfer of money from the political subdivision's revenue excess fund account that reduces the political subdivision's allocation of controlled income taxes or the political subdivision's levy of controlled property taxes shall be treated as a temporary adjustment. The amount of the transfer shall be treated as controlled taxes for the purposes of computing the political subdivision's controlled tax limits and controlled levy limits for the ensuing year.

Sec. 15. For the purposes of determining excise tax distributions to a political subdivision and other distributions that are computed on the property tax levies imposed by the political subdivision, the department shall certify the amount of the distribution from an account that qualifies as property taxes.

Sec. 16. Upon the receipt of a political subdivision's certified budget, the county auditor shall transfer to the political subdivision the amount of money in the political subdivision's account that the department has certified for use by the political subdivision.

Sec. 17. A political subdivision may transfer money from its account to any fund to reimburse the fund for amounts withheld from the political subdivision as a result of general property tax refunds paid under IC 6-1.1-26 or general income tax refunds paid under IC 6-8.1.

Sec. 18. Money distributed from an account may be used for any lawful purpose for which controlled taxes may be used.

SECTION 45. IC 6-14 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 14. APPROVAL OF BONDED INDEBTEDNESS AND LEASE OBLIGATIONS

Chapter 1. Definitions

Sec. 1. The definitions in IC 6-1.1, IC 6-11, and IC 36-1-2 apply throughout this article.

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1 Sec. 2. The definitions in this chapter apply throughout this
2 article.

3 Sec. 3. "Bonds" refers to bonds or any other evidence of
4 indebtedness (other than exempt obligations) payable from or
5 guaranteed by property taxes or income taxes.

6 Sec. 4. "Controlled debt service" refers to debt service for bonds
7 for a controlled project.

8 Sec. 5. "Controlled lease rentals" refers to payments for a lease
9 of a controlled project.

10 Sec. 6. "Controlled project" refers to a controlled project
11 described in IC 6-14-7-3.

12 Sec. 7. "Debt service" means principal of and interest on bonds.
13 The term includes the repayment of an advance from the common
14 school fund under IC 21-1-5-3.

15 Sec. 8. (a) "Debt service fund" means any of the following funds
16 for which a property tax is imposed:

17 (1) A fund established under IC 21-2-4-2 or IC 36-9-15-10.

18 (2) A fund primarily established to pay or fund loans or bonds
19 authorized under IC 12-19-5-11, IC 12-19-7-19, or
20 IC 12-19-7.5-18.

21 (3) A fund described in subsection (b).

22 (4) A fund established to pay or fund bond indebtedness or
23 lease rentals with a term of at least five (5) years.

24 (5) Any other fund established by a political subdivision that
25 is similar to a fund described in subdivisions (1) through (4),
26 as determined by the department.

27 (b) The term includes the following funds:

28 Department

29 Fund	Department
30 Control	Name for
31 Number	Fund
32 0180	Debt Service
33 0181	Debt Payment
34 0182	Bond #2
35 0183	Bond #3
36 0184	Bond #4
37 0185	Bond #5
38 0186	School Pension Debt
39 0280	Bond-General Sinking
40 0281	Loan and Interest Payment
41 0282	Obligation Loan
42 0283	Lease Rental Payment



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1	0580	Court House Lease Rental
2	0581	Court House Bond
3	0780	Bridge Bond and Interest
4	0781	Thoroughfare Bond
5	0783	Street Bond
6	0880	Hospital Lease Rental
7	0881	Hospital Bond
8	0882	Medical Center Bond
9	0883	Township Assistance Bond
10	0884	County Welfare Bond
11	0885	Township Assistance Loan
12	0886	County Welfare Loan
13	0889	Cumulative Hospital
14	0980	Levee Bond
15	0982	Flood Control Bond
16	0986	Storm Sewer Bond
17	1080	County Home Bond
18	1081	Equipment Bond
19	1180	Fire and Police Equipment Debt
20	1181	Fire Building Debt
21	1182	Fire Equipment Debt
22	1183	Fire Equipment Bond
23	1184	Police Equipment Debt
24	1185	Jail Lease Rental
25	1186	Jail Bond
26	1187	Emergency Fire Loan
27	1280	School Bus Debt
28	1281	School Bus Bond
29	1380	Park Bond
30	1381	Park Bond #2
31	2180	Airport Bond
32	2181	Airport Sinking
33	2182	Cemetery Bond
34	2380	Capital Improvement Bond
35	2480	Urban Renewal Bond
36	2481	Community Development Bond
37	2482	Redevelopment Bond
38	2483	Redevelopment Bond #2
39	2484	Industrial Loan
40	6280	Sewer Bond
41	6380	Transportation Bond
42	8080	Special Transportation Debt

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1	8180	Special Airport Debt Service
2	8280	Special Sanitary Debt Service
3	8281	Special Sanitary User Charge Debt
4	8282	Special Sanitation (Liquid) Debt
5	8283	Solid Waste District Debt Service
6	8380	Special Flood Control Debt Service
7	8382	Special Flood Control Debt Service #2
8	8383	Water District Debt Service
9	8480	Special Redevelopment Debt
10	8481	Special Redevelopment Dist Bond
11	8684	Special Fire Debt
12	8780	Special Health/Hospital Debt
13	8880	Indianapolis Consolidated City Redevelopment Debt
14	8881	Indianapolis Consolidated City Debt Service
15	8980	Special Consolidated County Flood Control Debt
16	8981	Special Consolidated County Park Debt
17	8982	Special Consolidated County Metropolitan
18		Thoroughfare Debt
19	8984	Special Consolidated County Metropolitan
20		Emergency Comm Agency Debt

21 Sec. 9. "Exempt obligation" refers to bonds or leases designated
22 as an exempt obligation under IC 6-14-2.

23 Sec. 10. "Funding bonds" means bonds issued to retire the
24 principal and accrued interest of any bonds of a political
25 subdivision that are outstanding.

26 Sec. 11. "Income taxes" refers to county income taxes imposed
27 under IC 6-11.

28 Sec. 12. "Leases" refers to leases payable from or guaranteed by
29 property taxes or income taxes.

30 Chapter 2. Exemptions

31 Sec. 1. IC 6-14-5, IC 6-14-6, and IC 6-14-7 do not apply to debt
32 or leases designated as an exempt obligation under this chapter.

33 Sec. 2. Notes representing loans under IC 36-2-6-18,
34 IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 that are payable within
35 five (5) years after issuance are exempt obligations.

36 Sec. 3. Warrants representing temporary loans that are payable
37 out of taxes imposed and in the course of collection are exempt
38 obligations.

39 Sec. 4. A lease that either:

- 40 (1) has a term of less than five (5) years; or
- 41 (2) is not a controlled lease;

42 is an exempt obligation.

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Sec. 5. Obligations:

(1) that are not payable from property taxes or income taxes;
and

(2) for which a guarantee of payment from property taxes or income taxes in the event that payment from another source of revenue is insufficient has not been made;

are exempt obligations.

Sec. 6. Bonds in a total amount that does not exceed five thousand dollars (\$5,000) are exempt obligations.

Sec. 7. Funding bonds, refunding bonds, and judgment funding bonds are exempt obligations.

Chapter 3. General Provisions

Sec. 1. Whenever the proper officers of a political subdivision decide to issue bonds payable from property taxes or county income taxes to finance a public improvement, they shall adopt an ordinance or a resolution that sets forth their determination to issue the bonds.

Sec. 2. A political subdivision may, subject to the limitations provided by law, issue any bonds, notes, or warrants that it considers necessary.

Sec. 3. A political subdivision may issue or enter into obligations under any law that requires or permits the imposition of:

(1) property taxes; or

(2) income taxes;

to pay debt service or lease rentals without pledging to impose property taxes or income taxes, or both, if necessary, to pay the debt service or lease rentals.

Sec. 4. If the proper officers of a political subdivision determine to use revenues other than property taxes or income taxes to pay obligations without pledging to impose property taxes or income taxes for that purpose, provisions of any law relating to property taxes or income taxes do not apply to the issuance of or entering into the obligations.

Sec. 5. A property tax levy for a debt service fund is not:

(1) subject to the controlled tax limits or controlled levy limits imposed under IC 6-12; or

(2) included in computing a political subdivision's controlled tax limit or controlled levy limit for a year.

Sec. 6. A property tax levy for a debt service fund shall be treated as an excluded tax. Income taxes used for the purposes of a debt service fund are excluded taxes only to the extent that IC 6-11 designates the income taxes as excluded taxes.

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1 **Sec. 7. A political subdivision shall fix property tax rates from**
 2 **the appropriate debt services fund that are sufficient to provide**
 3 **funds for the following purposes:**

4 **(1) To pay the principal or interest on a funding, refunding, or**
 5 **judgment funding obligation of the political subdivision.**

6 **(2) To pay the principal or interest on an outstanding**
 7 **obligation for which property taxes of the political subdivision**
 8 **were pledged.**

9 **(3) To pay the principal or interest on:**

10 **(A) an obligation issued by the political subdivision to meet**
 11 **an emergency that results from a flood, a fire, a pestilence,**
 12 **a war, or any other major disaster; or**

13 **(B) a note issued under IC 36-2-6-18, IC 36-3-4-22,**
 14 **IC 36-4-6-20, IC 36-5-2-11, or IC 36-9-4 to enable a city,**
 15 **town, or county to acquire necessary equipment or**
 16 **facilities.**

17 **(4) To pay the principal or interest on an obligation issued in**
 18 **the manner provided in this article, IC 6-1.1-20-3 (before its**
 19 **repeal), or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2 (before**
 20 **their repeal).**

21 **(5) To pay a judgment rendered against the political**
 22 **subdivision.**

23 **(6) To pay the principal or interest on an obligation to meet**
 24 **the requirements of the family and children's fund for child**
 25 **services (as defined in IC 12-19-7-1).**

26 **(7) To pay the principal or interest on an obligation to meet**
 27 **the requirements of the children's psychiatric residential**
 28 **treatment services fund for children's psychiatric residential**
 29 **treatment services (as defined in IC 12-19-7.5-1).**

30 **Sec. 8. The department and a county income tax council may not**
 31 **reduce a political subdivision's allocation of county income taxes**
 32 **below the amount of the political subdivision's allocation of county**
 33 **income taxes pledged by the political subdivision. A county income**
 34 **tax council and the department are not required to increase a**
 35 **political subdivision's allocation of county income taxes to**
 36 **eliminate the effects on the political subdivision's budget resulting**
 37 **from the pledge of the political subdivision's allocation to the**
 38 **funding or payment of an obligation.**

39 **Sec. 9. The collection of money in excess of the amount certified**
 40 **for a debt service fund is valid. The excess is subject to treatment**
 41 **as excess revenue under IC 6-13-22.**

42 **Sec. 10. The department shall develop forms and procedures to**

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1 expedite the review of bonded indebtedness and lease rental
 2 obligations under this article. In developing forms and procedures,
 3 the department must seek to avoid unnecessary delays that will
 4 increase the borrowing costs or construction costs of projects and
 5 purposes that a political subdivision would otherwise have the
 6 power to carry out.

7 **Chapter 4. Construction**

8 **Sec. 1.** Except as provided in section 2 of this chapter, a political
 9 subdivision may not advertise for or receive bids for the
 10 construction of an improvement until the expiration of the later of:

- 11 (1) the period within which taxpayers may file a petition for
 12 review of or a remonstrance against the proposed issue; or
 13 (2) the period during which a petition for review of the
 14 proposed issue is pending before the department.

15 **Sec. 2. (a)** Whenever a petition for review of a proposed issue is
 16 pending before the department, the department may order the
 17 political subdivision to advertise for and receive bids for the
 18 construction of a public improvement.

19 (b) When the department issues an order under subsection (a):

- 20 (1) the political subdivision shall file a bid report with the
 21 department within five (5) days after the bids are received;
 22 and
 23 (2) the department shall render a final decision on the
 24 proposed issue within fifteen (15) days after it receives the bid
 25 report.

26 (c) Notwithstanding the provisions of this section, a political
 27 subdivision may not enter into a contract for the construction of a
 28 public improvement while a petition for review of the bond issue
 29 that is to finance the improvement is pending before the
 30 department.

31 **Sec. 3.** The department in determining whether to approve or
 32 disapprove a school building construction project shall consider
 33 the following factors:

- 34 (1) The current and proposed square footage of school
 35 building space per student.
 36 (2) Enrollment patterns within the school corporation.
 37 (3) The age and condition of the current school facilities.
 38 (4) The cost per square foot of the school building
 39 construction project.
 40 (5) The effect that completion of the school building
 41 construction project would have on the school corporation's
 42 tax rate.

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(6) Any other pertinent matter.

Sec. 4. The department in determining whether to approve or disapprove a school building construction project may not approve or recommend the approval of a project that is financed through the issuance of bonds if the bonds mature more than twenty-five (25) years after the date of the bonds' issuance.

Sec. 5. After December 31, 1995, the department may not approve a school corporation's proposed lease rental agreement or bond issue to finance the construction of additional classrooms unless the school corporation first:

- (1) establishes that additional classroom space is necessary; and
- (2) conducts a feasibility study, holds public hearings, and hears public testimony on using a twelve (12) month school term (instead of the nine (9) month school term (as described in IC 20-10.1-2-2)) rather than expanding classroom space.

Chapter 5. Review of Bonds

Sec. 1. This chapter applies when:

- (1) the proper officers of a political subdivision decide to issue bonds in a total amount that exceeds five thousand dollars (\$5,000); and
- (2) IC 6-14-7 does not apply to the bonds.

The decision to issue bonds may be a preliminary decision.

Sec. 2. A political subdivision may not impose property taxes or income taxes to pay debt service for the bonds to which this chapter applies without:

- (1) complying with this chapter; and
- (2) approval of the proposed issue (or the proposed issue as reduced by the department) by the department.

Sec. 3. The proper officers of a political subdivision shall give notice of the decision by:

- (1) posting; and
- (2) publication once each week for two (2) weeks.

The notice required by this section shall be posted in three (3) public places in the political subdivision and published in accordance with IC 5-3-1-4.

Sec 4. (a) Ten (10) or more taxpayers who:

- (1) will be affected by the proposed issuance of the bonds; and
- (2) wish to object to the issuance on the grounds that it is unnecessary or excessive;

may file a petition in the office of the county auditor of the county in which the political subdivision is located.

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(b) The petition must be filed within fifteen (15) days after the notice required by section 3 of this chapter is given. The petition must contain the objections of the taxpayers and facts that show that the proposed issue is unnecessary or excessive.

Sec. 5. Whenever taxpayers file a petition in the manner prescribed in section 4 of this chapter, the county auditor shall immediately forward a certified copy of the petition and any other relevant information to the department. A review under sections 6 through 9 of this chapter may be combined with a review under IC 6-14-8 or IC 6-14-9.

Sec. 6. Upon receipt of a certified petition filed in the manner prescribed in section 4 of this chapter, the department shall fix a date, time, and place for a hearing on the matter. The department shall hold the hearing not fewer than five (5) or more than thirty (30) days after the department receives the petition. The department shall hold the hearing in the political subdivision or in the county where the political subdivision is located.

Sec. 7. At least five (5) days before the date fixed for the hearing, the department shall give notice of the hearing, by mail, to the executive officer of the political subdivision and to the first ten (10) taxpayers who signed the petition. The mailings shall be addressed to the officer and the taxpayers at their usual place of residence.

Sec. 8. After the hearing required by this chapter, the department may approve, disapprove, or reduce the amount of the proposed issue. The department must render a decision not later than three (3) months after the hearing. If a decision is not rendered within that time, the issue is considered approved unless the department takes the extension provided for in this section. A three (3) month extension of the period during which the decision must be rendered may be taken by the department if the department mails notice of the extension to the executive officer of the political subdivision and to the first ten (10) taxpayers who signed the petition at least ten (10) days before the end of the original three (3) month period. If a decision is not rendered within the extension period, the issue is considered approved.

Sec. 9. A:

(1) taxpayer who signed a petition under this chapter; or
 (2) political subdivision against which a petition referred to in this chapter is filed;
 may petition for judicial review of the final determination of the department under this chapter. The petition must be filed in the tax court not more than forty-five (45) days after the department

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renders its decision under this chapter.

Chapter 6. Review of Interest Rate

Sec. 1. This chapter applies when the proper officers of a political subdivision decide to issue any bonds, notes, or warrants that will:

- (1) be payable from property taxes or income taxes; and
- (2) bear interest in excess of eight percent (8%) per annum.

Sec. 2. A political subdivision may not impose property taxes or income taxes to pay debt service for bonds, notes, or warrants to which this chapter applies without:

- (1) complying with this chapter; and
- (2) approval of the interest rate by the department.

Sec. 3. The political subdivision shall submit the matter to the department for review. A review under this section may be combined with a review under IC 6-14-8 or IC 6-14-9.

Sec. 4. The department may either approve or disapprove the rate of interest.

Chapter 7. Remonstrance and Petition Process for Controlled Debt Service and Controlled Lease Rentals

Sec. 1. This chapter applies only to controlled debt service and controlled lease rentals.

Sec. 2. For purposes of this chapter, a project is any project or purpose for which a political subdivision may issue bonds or enter into leases, including a sale-lease back of an existing building.

Sec. 3. For purposes of this chapter, a controlled project is any project financed by bonds or a lease, except for the following:

- (1) A project for which the political subdivision reasonably expects to pay:
 - (A) debt service; or
 - (B) lease rentals;

from funds other than property taxes or income taxes. However, a project that would otherwise be exempt under this subdivision becomes a controlled project if the political subdivision pledges property taxes or income taxes to pay debt service or lease rentals if other funds are insufficient.

- (2) A project that will not cost the political subdivision more than two million dollars (\$2,000,000).

- (3) A project that is being refinanced to provide gross or net present value savings to taxpayers.

- (4) A project for which bonds were issued or leases were entered into before January 1, 1996, or for which the state board of tax commissioners (repealed) has approved the

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1 issuance of bonds or the execution of leases before January 1,
2 1996.

3 (5) A project that is required by a court order holding that a
4 federal law mandates the project.

5 (6) A project for which the political subdivision complied with
6 IC 6-1.1-20 (before its repeal).

7 **Sec. 4. A political subdivision may not impose property taxes or**
8 **income taxes to pay debt service or lease rentals without:**

- 9 (1) completing the procedures in section 5 of this chapter; and
10 (2) if a sufficient petition requesting the application of a
11 petition and remonstrance process has been filed as set forth
12 in section 6 of this chapter, completing the procedures in
13 section 6 of this chapter.

14 **Sec. 5. A political subdivision must do the following:**

- 15 (1) The proper officers of a political subdivision shall:
16 (A) publish notice in accordance with IC 5-3-1; and
17 (B) send notice by first class mail to any organization that
18 delivers to the officers, before January 1 of that year, an
19 annual written request for such notices;

20 of any meeting to consider adoption of a resolution or an
21 ordinance making a preliminary determination to issue bonds
22 or enter into a lease and shall conduct a public hearing on a
23 preliminary determination before adoption of the resolution
24 or ordinance.

- 25 (2) Whenever the proper officers of a political subdivision
26 make a preliminary determination to issue bonds or enter into
27 a lease, the officers shall give notice of the preliminary
28 determination by:

- 29 (A) publication in accordance with IC 5-3-1; and
30 (B) first class mail to the organizations described in
31 subdivision (1)(B).

- 32 (3) A notice under subdivision (2) of the preliminary
33 determination of the political subdivision to issue bonds or
34 enter into a lease must include the following information:

- 35 (A) The maximum term of the bonds or lease.
36 (B) The maximum principal amount of the bonds or the
37 maximum lease rental for the lease.
38 (C) The estimated interest rates that will be paid and the
39 total interest costs associated with the bonds or lease.
40 (D) The purpose of the bonds or lease.
41 (E) A statement that any owners of real property within
42 the political subdivision who want to initiate a petition and

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1 remonstrance process against the proposed debt service or
 2 lease payments must file a petition that complies with
 3 subdivisions (4) and (5) not later than thirty (30) days after
 4 publication in accordance with IC 5-3-1.

5 (F) With respect to bonds issued or a lease entered into to
 6 open:

7 (i) a new school facility; or

8 (ii) an existing facility that has not been used for at least
 9 three (3) years and that is being reopened to provide
 10 additional classroom space;

11 the estimated costs the school corporation expects to incur
 12 annually to operate the facility.

13 (G) A statement of whether the school corporation expects
 14 to appeal for an adjustment under IC 6-12-5 for an
 15 increased controlled tax limit or controlled levy limit to
 16 pay the estimated costs described in clause (F).

17 (4) After notice is given, a petition requesting the application
 18 of a petition and remonstrance process may be filed by the
 19 lesser of:

20 (A) one hundred (100) owners of real property within the
 21 political subdivision; or

22 (B) five percent (5%) of the owners of real property within
 23 the political subdivision.

24 (5) The state board of accounts shall design and, upon request
 25 by the county auditor, deliver to the county auditor or the
 26 county auditor's designated printer the petition forms to be
 27 used solely in the petition process described in this section.
 28 The county auditor shall issue to an owner or owners of real
 29 property within the political subdivision the number of
 30 petition forms requested by the owner or owners. Each form
 31 must be accompanied by instructions detailing the
 32 requirements that:

33 (A) the carrier and signers must be owners of real
 34 property;

35 (B) the carrier must be a signatory on at least one (1)
 36 petition;

37 (C) after the signatures have been collected, the carrier
 38 must swear or affirm before a notary public that the
 39 carrier witnessed each signature; and

40 (D) govern the closing date for the petition period.

41 Persons requesting forms may not be required to identify
 42 themselves and may be allowed to pick up additional copies to

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1 distribute to other property owners.

2 (6) Each petition must be verified under oath by at least one
3 (1) qualified petitioner in a manner prescribed by the state
4 board of accounts before the petition is filed with the county
5 auditor under subdivision (7).

6 (7) Each petition must be filed with the county auditor not
7 more than thirty (30) days after publication under subdivision
8 (2) of the notice of the preliminary determination.

9 (8) The county auditor must file a certificate and each petition
10 with:

11 (A) the township trustee, if the political subdivision is a
12 township, who shall present each petition to the township
13 board; or

14 (B) the body that has the authority to authorize the
15 issuance of the bonds or the execution of a lease, if the
16 political subdivision is not a township;

17 not later than fifteen (15) business days after the filing of the
18 petition requesting a petition and remonstrance process. The
19 certificate must state the number of petitioners that are
20 owners of real property within the political subdivision.

21 If a sufficient petition requesting a petition and remonstrance
22 process is not filed by owners of real property as set forth in this
23 section, the political subdivision may issue bonds or enter into a
24 lease by following the provisions of law relating to the bonds to be
25 issued or the lease to be entered into.

26 Sec. 6. If a sufficient petition requesting the application of a
27 petition and remonstrance process has been filed as set forth in
28 section 5 of this chapter, the political subdivision shall do the
29 following:

30 (1) The proper officers of the political subdivision shall give
31 notice of the applicability of the petition and remonstrance
32 process by:

33 (A) publication in accordance with IC 5-3-1; and

34 (B) first class mail to the organizations described in section
35 5(1)(B) of this chapter.

36 Notice under this subdivision must include a statement that
37 any owners of real property or tenants of residential property
38 within the political subdivision who want to petition in favor
39 of or remonstrate against the proposed debt service or lease
40 payments must file petitions and remonstrances in compliance
41 with subdivisions (2) through (4) not earlier than thirty (30)
42 days or later than sixty (60) days after publication in

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1 accordance with IC 5-3-1.

2 (2) Not earlier than thirty (30) days or later than sixty (60)
3 days after the notice under subdivision (1) is given:

4 (A) petitions (as described in subdivision (3)) in favor of
5 the bonds or lease; and

6 (B) remonstrances (as described in subdivision (3)) against
7 the bonds or lease;

8 may be filed by an owner or owners of real property or a
9 tenant or tenants of residential property within the political
10 subdivision. A petition or remonstrance signed by a tenant of
11 residential property must be accompanied by an affidavit
12 setting forth the name of the landlord and the property
13 address of the tenant's leasehold. Each signature on a petition
14 must be dated, and the date of signature may not be before the
15 date on which the petition and remonstrance forms may be
16 issued under subdivision (3). A petition described in clause (A)
17 or a remonstrance described in clause (B) must be verified in
18 compliance with subdivision (4) before the petition or
19 remonstrance is filed with the county auditor under
20 subdivision (4).

21 (3) The state board of accounts shall design and, upon request
22 by the county auditor, deliver to the county auditor or the
23 county auditor's designated printer the petition,
24 remonstrance, and affidavit forms to be used solely in the
25 petition and remonstrance process described in this section.
26 The county auditor shall issue to an owner or owners of real
27 property or a tenant or tenants of residential property within
28 the political subdivision the number of petition, remonstrance,
29 or affidavit forms requested by the owner or owners or tenant
30 or tenants. Each form must be accompanied by instructions
31 detailing the requirements that:

32 (A) the carrier and signers must be owners of real
33 property or tenants of residential property;

34 (B) the carrier must be a signatory on at least one (1)
35 petition;

36 (C) after the signatures have been collected, the carrier
37 must swear or affirm before a notary public that the
38 carrier witnessed each signature;

39 (D) govern the closing date for the petition and
40 remonstrance period; and

41 (E) apply to the carrier under section 7 of this chapter.

42 Persons requesting petition, remonstrance, or affidavit forms

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may not be required to identify themselves and may be allowed to pick up additional copies to distribute to other property owners or tenants of residential property. The county auditor may not issue a petition, remonstrance, or affidavit form earlier than twenty-nine (29) days after the notice is given under subdivision (1). The county auditor shall certify the date of issuance on each petition, remonstrance, or affidavit form that is distributed under this subdivision.

(4) The petitions, remonstrances, and affidavits must be verified in the manner prescribed by the state board of accounts and filed with the county auditor within the thirty (30) to sixty (60) day period described in subdivision (2) in the manner set forth in section 5 of this chapter relating to requests for a petition and remonstrance process.

(5) The county auditor must file a certificate and the petition or remonstrance with the body of the political subdivision charged with issuing bonds or entering into leases not later than fifteen (15) business days after the filing of a petition or remonstrance under subdivision (4), whichever applies, containing ten thousand (10,000) signatures or fewer. The county auditor may take an additional five (5) days to review and certify the petition or remonstrance for each additional five thousand (5,000) signatures, up to a maximum of sixty (60) days. The certificate must state the number of petitioners and remonstrators that are owners of real property and the number of petitioners and remonstrators who are tenants of residential property within the political subdivision.

(6) If a greater number of owners of real property plus tenants of residential property within the political subdivision sign a remonstrance than the number that signed a petition, the bonds petitioned for may not be issued or the lease petitioned for may not be entered into. The proper officers of the political subdivision may not make a preliminary determination to issue bonds or enter into a lease for the controlled project defeated by the petition and remonstrance process under this section or any other controlled project that is not substantially different within one (1) year after the date of the county auditor's certificate filed under subdivision (5). Withdrawal of a petition carries the same consequences as a defeat of the petition.

(7) After a political subdivision has gone through the petition and remonstrance process set forth in this section, the

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political subdivision is not required to follow any other remonstrance or objection procedures under any other law (including section 5 of this chapter) relating to bonds or leases designed to protect owners of real property and tenants of residential property within the political subdivision from the imposition of property taxes to pay debt service or lease rentals. However, the political subdivision must still receive the approval of the department required under IC 6-14-8.

Sec. 7. (a) If a petition and remonstrance process is commenced under section 6 of this chapter, during the sixty (60) day period commencing with the notice under section 6(1) of this chapter, the political subdivision seeking to issue bonds or enter into a lease for the proposed controlled project may not promote a position on the petition or remonstrance by doing any of the following:

(1) Allowing facilities or equipment, including mail and messaging systems, owned by the political subdivision to be used for public relations purposes to promote a position on the petition or remonstrance unless equal access to the facilities or equipment is given to persons with a position opposite to that of the political subdivision.

(2) Making an expenditure of money from a fund controlled by the political subdivision to promote a position on the petition or remonstrance (except as necessary to explain the project to the public) or to pay for the gathering of signatures on a petition or remonstrance. This subdivision does not prohibit a political subdivision from making an expenditure of money to an attorney, an architect, a construction manager, or a financial adviser for professional services provided with respect to a controlled project.

(3) Using an employee to promote a position on the petition or remonstrance during the employee's normal working hours or paid overtime.

(4) In the case of a school corporation, promoting a position on a petition or remonstrance by:

(A) using students to transport written materials to their residences; or

(B) including a statement within another communication sent to the students' residences.

However, this section does not prohibit an employee of the political subdivision from carrying out duties with respect to a petition or remonstrance that are part of the normal and regular conduct of the employee's office or agency.

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(b) A person may not solicit or collect signatures for a petition or remonstrance on property owned or controlled by the political subdivision.

Chapter 8. Review by Department

Sec. 1. Subject to section 2 of this chapter, this chapter applies to the following:

(1) Bonded indebtedness.

(2) Lease rentals under a lease with an original term of at least five (5) years.

Sec. 2. This chapter does not apply to the following:

(1) Temporary loans made in anticipation of and to be paid from current revenues of the political subdivision actually imposed and in the course of collection for the budget year in which the loans are made.

(2) Bonded indebtedness that will be repaid through property taxes or income taxes imposed under IC 12-19.

(3) Bonded indebtedness or lease rentals that were approved under IC 6-1.1-18.5-8 (before its repeal) or IC 6-1.1-19-8 (before its repeal).

(4) Property taxes or income taxes that a school corporation imposes to pay or fund bond or lease rental indebtedness created or incurred before July 1, 1974.

Sec. 3. A political subdivision may not impose property taxes or income taxes to pay debt service for bonded indebtedness or leases to which this chapter applies without:

(1) complying with this chapter; and

(2) approval of the bonded indebtedness or leases by the department.

Sec. 4. (a) A political subdivision must file a petition requesting approval from the department to incur bonded indebtedness or execute a lease with an original term of at least five (5) years.

(b) If IC 6-14-7 applies to the bonded indebtedness or lease and the bonded indebtedness is to be paid or funded with property taxes, the petition must be filed not later than twenty-four (24) months after the first date of publication of notice of a preliminary determination under IC 6-1.1-20-3.1(2) (repealed) or IC 6-14-7-5(2), as applicable, unless the political subdivision demonstrates that a longer period is reasonable in light of the political subdivision's facts and circumstances.

Sec. 5. A political subdivision must obtain approval from the department before the political subdivision may:

(1) incur bonded indebtedness; or

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1 (2) enter into a lease.

2 Sec. 6. The department may seek recommendations from the

3 local government tax control board or the department of state

4 revenue, or both, when determining whether to authorize incurring

5 bonded indebtedness or the execution of a lease.

6 Sec. 7. The department shall render a decision within three (3)

7 months after the date it receives a request for approval under

8 section 4 of this chapter. However, the department may extend this

9 three (3) month period by an additional three (3) months if, at least

10 ten (10) days before the end of the original three (3) month period,

11 the department sends notice of the extension to the executive

12 officer of the political subdivision.

13 Sec. 8. The local government tax control board, the department

14 of state revenue, and other state agencies shall provide information

15 to the department that the department considers necessary to

16 determine the estimated impact of the issuance of bonds or

17 execution of a lease on a political subdivision's property tax rate or

18 the rate of an income tax in a county where the political

19 subdivision is located.

20 Sec. 9. Subject to section 10 of this chapter, the department

21 may:

22 (1) approve or disapprove the proposed bond issue or lease

23 agreement; or

24 (2) approve an alternative financing arrangement by:

25 (A) reducing the amount of the proposed bond issue or

26 lease agreement;

27 (B) modifying other terms of the proposed bond issue or

28 lease agreement;

29 (C) approving the use of other funding mechanisms that

30 are available to the political subdivision to cover all or part

31 of the costs that would be covered by the proposed bond

32 issue or lease agreement;

33 (D) modifying the scope of the proposed project, in the case

34 of bonds to be issued or a lease to be entered into for the

35 acquisition, construction, renovation, improvement, or

36 expansion of a building, a structure, or another public

37 improvement; or

38 (E) any combination of the methods described in clauses

39 (A) through (D).

40 Sec. 10. In determining whether to approve or disapprove a

41 proposed bond issue or lease agreement or to approve an

42 alternative financing arrangement, the department shall consider

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the following factors:

(1) Whether the proposed bond issue or lease agreement is unnecessary or excessive.

(2) With respect to a proposed bond issue or lease agreement for the acquisition, construction, renovation, improvement, expansion, or use of a building, a structure, or another public improvement, whether the civil taxing unit has demonstrated that an adequate source of funding will be available to cover annual costs of operating, maintaining, and repairing the building, structure, or public improvement.

(3) Whether an excessive impact on the political subdivision's tax rate or on the rate of an income tax imposed in a county where the political subdivision is located will result from:

(A) the issuance of the bonds or execution of the lease agreement; and

(B) with respect to a proposed bond issue or lease agreement for the acquisition, construction, renovation, improvement, expansion, or use of a building, a structure, or another public improvement, the annual costs of operating, maintaining, and repairing the building, structure, or public improvement.

(4) Whether any costs of acquiring, constructing, renovating, improving, or expanding a building, a structure, or another public improvement that are to be financed through the issuance of bonds or execution of a lease are comparable to the costs incurred for those purposes by other similarly situated political subdivisions for similar projects.

(5) With respect to a proposed bond issue or lease agreement for the acquisition, construction, renovation, improvement, expansion, or use of a building, a structure, or another public improvement, whether the building, structure, or public improvement will be made available to residents of the political subdivision for uses other than those planned by the political subdivision.

(6) Any other pertinent matter, including matters described in IC 6-14-4.

Sec. 11. (a) A political subdivision may petition for judicial review of the final determination of the department under this chapter.

(b) The petition for judicial review must be filed in the tax court not more than forty-five (45) days after the department enters its order under this chapter.

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1 **Sec. 12. A taxpayer may petition for judicial review of the final**
 2 **determination of the department under this chapter. The petition**
 3 **must be filed in the tax court not more than thirty (30) days after**
 4 **the department enters its order under this chapter.**

5 **Chapter 9. School Bus Loan Review**

6 **Sec. 1. This chapter does not apply to school bus purchase loans**
 7 **made by a school corporation that will be repaid solely from the**
 8 **general fund of the school corporation.**

9 **Sec. 2. A school corporation must obtain approval from the**
 10 **department before the school corporation may repay a school bus**
 11 **purchase loan.**

12 **Sec. 3. Before it approves or disapproves a proposed school bus**
 13 **purchase loan, the department may seek the recommendation of**
 14 **the local government tax control board or the department of state**
 15 **revenue.**

16 **Sec. 4. Subject to section 5 of this chapter, the department may**
 17 **either:**

18 (1) **approve, disapprove, or modify then approve a school**
 19 **corporation's proposed school bus purchase loan; or**

20 (2) **approve an alternative financing arrangement by:**

21 (A) **reducing the amount of the proposed school bus**
 22 **purchase loan;**

23 (B) **modifying other terms of the proposed school bus**
 24 **purchase loan;**

25 (C) **approving the use of other funding mechanisms that**
 26 **are available to the school corporation to cover all or part**
 27 **of the costs that would be covered by the proposed school**
 28 **bus purchase loan;**

29 (D) **modifying the scope of the proposed purchase of school**
 30 **buses; or**

31 (E) **any combination of the methods described in clauses**
 32 **(A) through (D).**

33 **Sec. 5. In determining whether to approve or disapprove a**
 34 **proposed school bus purchase loan, or to approve an alternative**
 35 **financing arrangement, the department shall consider the**
 36 **following factors:**

37 (1) **Whether the proposed school bus purchase loan is**
 38 **unnecessary or excessive.**

39 (2) **Whether an excessive impact on the tax rates, fees, or**
 40 **other charges imposed by the school corporation will result**
 41 **from the annual costs of operating, maintaining, and**
 42 **repairing the vehicles to be purchased with the loan.**

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(3) Any other pertinent matter.

Sec. 6. The department shall render a decision not more than three (3) months after the date it receives a request for approval under this chapter. However, the department may extend this three (3) month period by an additional three (3) months if, at least ten (10) days before the end of the original three (3) month period, the department sends notice of the extension to the executive officer of the school corporation.

Sec. 7. A school corporation may petition for judicial review of the final determination of the department under this chapter. The petition must be filed in the tax court not more than forty-five (45) days after the department enters its order under this chapter.

Sec. 8. A taxpayer may petition for judicial review of the final determination of the department under this chapter. The petition must be filed in the tax court not more than thirty (30) days after the department enters its order under this section.

Chapter 10. Jay County School Corporation

Sec. 1. The levy and property tax rate for an excessive levy granted under IC 6-1.1-19-10.5 (repealed) before January 1, 2007, is transferred to the Jay County School Corporation debt service fund for property taxes first due and payable after December 31, 2006.

Sec. 2. The relief under section 1 of this chapter is granted as an advance of state funds related to an intercept action to be paid back to the treasurer of state in two hundred forty (240) payments of:

(1) thirteen thousand eight hundred eighty-two dollars (\$13,882) beginning on January 15, 2001, and ending May 15, 2003; and

(2) equal installment amounts beginning June 15, 2003, and ending with final payment on December 31, 2020.

SECTION 46. IC 6-15 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]:

ARTICLE 15. CUMULATIVE FUNDS, SINKING FUNDS, AND OTHER FIXED RATE LEVIES

Chapter 1. Definitions

Sec. 1. The definitions in IC 6-1.1, IC 6-11, and IC 36-1-2 apply throughout this article.

Sec. 2. The definitions in this chapter apply throughout this article.

Sec. 3. "Fixed rate levy" refers to a property tax imposed for a

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1 fund or purpose described in a law listed or described in
2 IC 6-15-3-1 or IC 6-15-4-1.

3 **Chapter 2. General Provisions**

4 **Sec. 1. A fixed rate levy is not:**

5 (1) subject to the controlled tax limits or controlled levy limits
6 imposed under IC 6-12; or

7 (2) included in the computation of a political subdivision's
8 controlled tax limit or controlled levy limit for a year.

9 **Sec. 2. A fixed rate levy shall be treated as an excluded tax.**

10 **Sec. 3. The collection of money in excess of the amount certified**
11 **for a fixed rate levy is valid. The excess shall be treated as excess**
12 **revenue and deposited in the political subdivision's excess revenue**
13 **fund account under IC 6-11-22.**

14 **Chapter 3. Cumulative Fund Tax Levy Procedures**

15 **Sec. 1. This chapter applies to the establishment and imposition**
16 **of a tax levy for cumulative funds under the following:**

17 (1) IC 3-11-6.

18 (2) IC 8-10-5.

19 (3) IC 8-16-3.

20 (4) IC 8-16-3.1.

21 (5) IC 8-22-3.

22 (6) IC 14-27-6.

23 (7) IC 14-33-21.

24 (8) IC 16-22-4.

25 (9) IC 16-22-5.

26 (10) IC 16-22-8.

27 (11) IC 36-8-14.

28 (12) IC 36-9-4.

29 (13) IC 36-9-14.

30 (14) IC 36-9-14.5.

31 (15) IC 36-9-15.

32 (16) IC 36-9-15.5.

33 (17) IC 36-9-16.

34 (18) IC 36-9-17.

35 (19) IC 36-9-17.5.

36 (20) IC 36-9-26.

37 (21) IC 36-9-27.

38 (22) IC 36-10-3.

39 (23) IC 36-10-4.

40 (24) IC 36-10-7.5.

41 (25) Any other statute that specifies that a property tax levy
42 may be imposed under this chapter.

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1 **Sec. 2. (a) In addition to complying with the budget, tax rate,**
 2 **and tax levy requirements applicable to other tax levies, a political**
 3 **subdivision may:**

4 **(1) establish a cumulative fund and impose a property tax for**
 5 **the cumulative fund; or**

6 **(2) increase the tax rate for a cumulative fund;**
 7 **only after the proposal is adopted and approved in compliance with**
 8 **this chapter.**

9 **(b) If an action described in this section is not adopted or**
 10 **approved in conformity with this chapter, the political subdivision**
 11 **may not levy a tax for the fund in the ensuing year.**

12 **Sec. 3. (a) A political subdivision that proposes to establish a**
 13 **fund under this chapter must:**

14 **(1) give notice of the proposal to the affected taxpayers; and**

15 **(2) hold a public hearing on the proposal;**

16 **before presenting the proposal to the department for approval.**

17 **(b) Notice of the proposal and of the public hearing shall be**
 18 **given by publication in accordance with IC 5-3-1.**

19 **(c) For a cumulative fund authorized under IC 3-11-6 or**
 20 **IC 8-10-5-17, the political subdivision imposing a property tax levy**
 21 **shall post a notice of the proposal and the public hearing in three**
 22 **(3) public places in the political subdivision.**

23 **(d) A notice required by this section must describe the tax levy**
 24 **that will be imposed for the fund.**

25 **Sec. 4. A political subdivision that in any year adopts a proposal**
 26 **under this chapter must submit the proposal to the department**
 27 **before August 2 of that year. If a proposal under this chapter is not**
 28 **submitted to the department before August 2 of a year, the political**
 29 **subdivision may not levy a tax for the cumulative fund or sinking**
 30 **fund in the ensuing year.**

31 **Sec. 5. The department shall require that a notice of submission**
 32 **under section 4 of this chapter be given to the taxpayers of the**
 33 **county. The notice shall be published in one (1) publication and**
 34 **posted in the same manner as required by section 3 of this chapter.**

35 **Sec. 6. Not later than noon of the day that is thirty (30) days**
 36 **after the publication of the notice required by section 3 of this**
 37 **chapter:**

38 **(1) at least ten (10) taxpayers in the taxing district, if the fund**
 39 **is authorized under IC 8-10-5-17, IC 8-16-3-1, IC 8-16-3.1-4,**
 40 **IC 14-27-6-48, IC 14-33-21-2, IC 36-8-14-2, IC 36-9-4-48, or**
 41 **IC 36-10-4-36;**

42 **(2) at least twenty (20) taxpayers in a county served by a**

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1 hospital, if the fund is authorized under IC 16-22-4-1;
 2 (3) at least thirty (30) taxpayers in a tax district, if the fund is
 3 authorized under IC 36-10-3-21 or IC 36-10-7.5-19;
 4 (4) at least fifty (50) taxpayers in a municipality, if
 5 subdivisions (1), (2), (3), and (5) do not apply; or
 6 (5) at least one hundred (100) taxpayers in the county, if the
 7 fund is authorized by IC 3-11-6;

8 may file a petition with the county auditor stating their objections
 9 to an action described in section 2 of this chapter. Upon the filing
 10 of the petition, the county auditor shall immediately certify the
 11 petition to the department.

12 Sec. 7. (a) The department shall within a reasonable time set a
 13 date for a hearing on a petition filed under section 6 of this
 14 chapter.

15 (b) For a cumulative fund authorized under IC 3-11-6 or
 16 IC 36-9-4-48, the hearing must be held in the county affected by the
 17 proposed action.

18 Sec. 8. The department shall give notice of the hearing required
 19 by section 7 of this chapter to:

- 20 (1) the county auditor; and
- 21 (2) the first ten (10) taxpayers whose names appear on the
 22 petition filed under section 6 of this chapter.

23 The notice must be given by letter signed by the commissioner or
 24 deputy commissioner of the department and sent by mail with
 25 prepaid postage to the auditor and the taxpayers at their usual
 26 places of residence at least five (5) days before the date set for the
 27 hearing.

28 Sec. 9. (a) After a hearing on a proposal (if a hearing is
 29 required) or after the proposal is submitted to the department
 30 under section 4 of this chapter (if no hearing is required), the
 31 department shall certify approval, disapproval, or modification of
 32 the proposal to the county auditor.

33 (b) A:

- 34 (1) taxpayer who signed a petition filed under section 6 of this
 35 chapter; or
- 36 (2) political subdivision submitting a proposal for approval;

37 may petition for judicial review of the final determination of the
 38 department under subsection (a). The petition must be filed in the
 39 tax court not more than forty-five (45) days after the department
 40 certifies its action under subsection (a).

41 Sec. 10. To provide for a fund, a political subdivision may levy
 42 a tax on all taxable property within the jurisdiction authorized to

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1 establish the fund. The tax may not exceed the tax rate specified in
2 the statute authorizing the fund.

3 **Sec. 11.** If a political subdivision considers it advisable after the
4 levy has been approved, the governing body imposing the levy for
5 the political subdivision may reduce or rescind the annual levy.

6 **Sec. 12.** At least:

7 (1) ten (10) taxpayers in the tax district, if the fund is
8 authorized under IC 8-10-5-17, IC 8-16-3-1, IC 8-16-3.1-4,
9 IC 14-27-6-48, IC 14-33-21-2, IC 36-8-14-2, IC 36-9-4-48, or
10 IC 36-10-4-36; or

11 (2) fifty (50) taxpayers in the area where a property tax for a
12 fund is imposed, if subdivision (1) does not apply;
13 may file with the county auditor, by noon on August 1 of a year, a
14 petition for reduction or revision of the levy approved under this
15 chapter. The petition must state the taxpayers' objections to the
16 levy. The county auditor shall certify the petition to the
17 department, and the same procedure for notice and hearing must
18 be followed that was required for the original levy. After a hearing
19 on the petition, the department may confirm, reduce, or rescind the
20 levy. The department's action is final and conclusive.

21 **Sec. 13.** After a political subdivision complies with this chapter,
22 a property tax may be levied annually at the tax rate approved
23 under this chapter without further action under this chapter. The
24 tax levy must be advertised annually as other tax levies are
25 advertised.

26 **Sec. 14.** The tax collected for a fund must be held in the fund for
27 which the tax was levied. The fund may not be expended for any
28 purpose other than the purposes specified by the statute
29 authorizing the fund. Except to the extent that IC 8-16-3-3(c),
30 IC 14-27-6-48(c), IC 36-9-14.5-8(c), IC 36-9-15.5-8(c), or another
31 statute specifically provides a different procedure, expenditures
32 may be made from the fund only after an appropriation has been
33 made in the manner provided by law for making other
34 appropriations.

35 **Sec. 15.** If the political subdivision establishing a fund:

36 (1) determines that the purposes for which the fund was
37 established have been accomplished or no longer exist; or
38 (2) rescinds the tax levy for the fund;

39 the governing body establishing the fund for the political
40 subdivision may transfer the balance in the fund to the general
41 fund of the political subdivision. The money in a fund does not
42 otherwise revert to the general fund of a political subdivision at the

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end of the political subdivision's fiscal year.

**Chapter 4. General Reassessment Adjustment of Fixed Rate
Levies**

Sec. 1. This chapter applies to the property tax levies under:

- (1) IC 8-10-5-17;
- (2) IC 8-22-3-11;
- (3) IC 8-22-3-25;
- (4) IC 12-29-1-1;
- (5) IC 12-29-1-2;
- (6) IC 12-29-1-3;
- (7) IC 12-29-3-6;
- (8) IC 13-21-3-12;
- (9) IC 13-21-3-15;
- (10) IC 14-27-6-30;
- (11) IC 14-33-7-3;
- (12) IC 14-33-21-5;
- (13) IC 15-1-6-2;
- (14) IC 15-1-8-1;
- (15) IC 15-1-8-2;
- (16) IC 16-20-2-18;
- (17) IC 16-20-4-27;
- (18) IC 16-20-7-2;
- (19) IC 16-23-1-29;
- (20) IC 16-23-3-6;
- (21) IC 16-23-4-2;
- (22) IC 16-23-5-6;
- (23) IC 16-23-7-2;
- (24) IC 16-23-8-2;
- (25) IC 16-23-9-2;
- (26) IC 16-41-15-5;
- (27) IC 16-41-33-4;
- (28) IC 20-5-17.5-2 (before its repeal), IC 36-10-13-4, or
IC 36-10-13-5;
- (29) IC 20-5-17.5-3 (before its repeal) or IC 36-10-13-7;
- (30) IC 20-5-37-4 (before its repeal) or IC 20-26-8-4;
- (31) IC 20-14-7-5.1 (before its repeal) or IC 36-12-7-7;
- (32) IC 20-14-7-6 (before its repeal) or IC 36-12-7-8;
- (33) IC 20-14-13-12 (before its repeal) or IC 36-12-12-10;
- (34) IC 21-1-11-3;
- (35) IC 21-2-17-2;
- (36) IC 23-13-17-1;
- (37) IC 23-14-66-2;

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- 1 (38) IC 23-14-67-3;
- 2 (39) IC 36-7-13-4;
- 3 (40) IC 36-7-14-28;
- 4 (41) IC 36-7-15.1-16;
- 5 (42) IC 36-8-19-8.5;
- 6 (43) IC 36-9-6.1-2;
- 7 (44) IC 36-9-17.5-4;
- 8 (45) IC 36-9-27-73;
- 9 (46) IC 36-9-29-31;
- 10 (47) IC 36-9-29.1-15;
- 11 (48) IC 36-10-6-2;
- 12 (49) IC 36-10-7-7;
- 13 (50) IC 36-10-7-8;
- 14 (51) IC 36-10-7.5-19; and
- 15 (52) any statute enacted after December 31, 2003, that:
- 16 (A) establishes a maximum rate for any part of the:
- 17 (i) property taxes; or
- 18 (ii) special benefits taxes;
- 19 imposed by a political subdivision; and
- 20 (B) does not exempt the maximum rate from the
- 21 adjustment under this section.
- 22 **Sec. 2. For purposes of this chapter, "maximum rate" refers to**
- 23 **the maximum:**
- 24 (1) property tax rate or rates; or
- 25 (2) special benefits tax rate or rates;
- 26 referred to in the laws listed in section 1 of this chapter.
- 27 **Sec. 3. The maximum rate for taxes first due and payable after**
- 28 **2003 is the maximum rate that would have been determined under**
- 29 **section 5 of this chapter for taxes first due and payable in 2003 if**
- 30 **section 5 of this chapter had applied for taxes first due and payable**
- 31 **in 2003.**
- 32 **Sec. 4. The maximum rate must be adjusted:**
- 33 (1) each time an annual adjustment of the assessed value of
- 34 real property takes effect under IC 6-1.1-4-4.5; and
- 35 (2) each time a general reassessment of real property takes
- 36 effect under IC 6-1.1-4-4.
- 37 **Sec. 5. The new maximum rate under a statute listed in section**
- 38 **1 of this chapter is the tax rate determined under STEP SEVEN of**
- 39 **the following STEPS:**
- 40 **STEP ONE: Determine the maximum rate for the political**
- 41 **subdivision levying a property tax or special benefits tax**
- 42 **under the statute for the year preceding the year in which the**



annual adjustment or general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value (before the adjustment, if any, under IC 6-1.1-4-4.5) of the taxable property from the year preceding the year the annual adjustment or general reassessment takes effect to the year that the annual adjustment or general reassessment takes effect.

STEP THREE: Determine the three (3) years that immediately precede the ensuing year and in which a statewide general reassessment of real property does not first take effect.

STEP FOUR: Compute separately, for each of the years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value (before the adjustment, if any, under IC 6-1.1-4-4.5) of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

Sec. 6. The department shall compute the maximum rate allowed under section 5 of this chapter and provide the rate to each political subdivision with authority to levy a tax under a statute listed in section 1 of this chapter.

SECTION 47. IC 12-13-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 5. ~~For taxes first due and payable in~~ Each year, ~~after 2003~~, each county shall impose a **controlled taxes for** medical assistance ~~property tax levy~~ equal to the product of:

(1) the **controlled taxes certified for the county by the department of local government finance under this section for** medical assistance ~~property tax levy~~ imposed for ~~taxes first due and payable~~ in the preceding year, as that ~~levy amount~~ was determined by the department of local government finance in fixing the ~~civil taxing unit's~~ **county's** budget, ~~levy, taxes, and rate~~

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1 **tax rates** for that preceding calendar year under, **before 2007**,
 2 **IC 6-1.1-17 and, after 2006, IC 6-13** and after eliminating the
 3 effects of ~~temporary excessive levy appeals and any other~~
 4 temporary adjustments made to the **levy taxes** for the calendar
 5 year; multiplied by

6 (2) the **statewide average assessed value tax** growth quotient
 7 **using all the county assessed value growth quotients** determined
 8 under ~~IC 6-1.1-18.5-2~~ **IC 6-12-4-4** for the year in which the tax
 9 **levy** under this section will be first due and payable.

10 If the amount ~~levied of tax~~ in a particular year exceeds the amount
 11 necessary to cover the costs payable from the fund, the **levy tax** in the
 12 following year shall be reduced by the amount of surplus money **as a**
 13 **temporary adjustment to the county's controlled tax limit and**
 14 **controlled levy limit.**

15 SECTION 48. IC 12-16-14-3, AS AMENDED BY P.L.246-2005,
 16 SECTION 111, IS AMENDED TO READ AS FOLLOWS
 17 [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) For purposes of this
 18 section, "payable claim" has the meaning set forth in
 19 IC 12-16-7.5-2.5(b)(1).

20 (b) For taxes first due and payable in 2003; each county shall
 21 impose a hospital care for the indigent property tax levy equal to the
 22 product of:

23 (1) the county's hospital care for the indigent property tax levy for
 24 taxes first due and payable in 2002; multiplied by

25 (2) the county's assessed value growth quotient determined under
 26 ~~IC 6-1.1-18.5-2~~ for taxes first due and payable in 2003:

27 (c) ~~(b)~~ For taxes first due and payable in 2004, 2005, 2006, for
 28 2007, and 2008; each county shall impose **a controlled taxes for**
 29 hospital care for the indigent property tax **levy** equal to the product of:

30 (1) the county's hospital care for the indigent property tax levy for
 31 taxes first due and payable in ~~the preceding year;~~ **2006**; multiplied
 32 by

33 (2) the ~~assessed value tax~~ growth quotient determined in ~~the last~~
 34 ~~STEP of the following STEPS:~~

35 STEP ONE: Determine the three (3) calendar years that most
 36 immediately precede the ensuing calendar year and in which a
 37 statewide general reassessment of real property does not first
 38 become effective:

39 STEP TWO: Compute separately, for each of the calendar years
 40 determined in STEP ONE, the quotient (rounded to the nearest
 41 ten-thousandth) of the county's total assessed value of all taxable
 42 property in the particular calendar year; divided by the county's

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total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3); under IC 6-12-4-4 for 2007.

(d) Except as provided (c) Subject to the limitations in subsection (e), each county shall impose controlled taxes for hospital care for the indigent equal to:

(1) for taxes first due and payable in 2009, 2008, each county shall impose a hospital care for the indigent property tax levy equal to the average of the annual amount of payable claims attributed to the county under IC 12-16-7.5-4.5 during the state fiscal years beginning:

(A) July 1, 2005;

(B) July 1, 2006; and

(C) July 1, 2007; and

(2) for all subsequent annual levies under this section, years, the average annual amount of payable claims attributed to the county under IC 12-16-7.5-4.5 during the three (3) most recently completed state fiscal years.

(e) (d) A county may not impose an annual levy controlled taxes in any year under subsection (d) (c) in an amount greater than the product of:

(1) The greater of:

(A) the county's amount of controlled taxes imposed by the county for hospital care for the indigent property tax levy for taxes first due and payable in 2008; in 2007; or

(B) the amount of the county's maximum controlled taxes certified for the county by the department of local government finance for hospital care for the indigent property tax levy as the amount was determined under this subsection for taxes first due and payable in by the department of local government finance in fixing the county's budget, taxes, and tax rates for that preceding calendar year under, before 2007, IC 6-1.1-17 and after 2006, IC 6-13 and after eliminating the effects of temporary adjustments made to the amount for the immediately preceding year; multiplied by

(2) the assessed value tax growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a

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1 statewide general reassessment of real property does not first
2 become effective.

3 STEP TWO: Compute separately, for each of the calendar years
4 determined in STEP ONE, the quotient (rounded to the nearest
5 ten-thousandth) of the county's total assessed value of all taxable
6 property in the particular calendar year, divided by the county's
7 total assessed value of all taxable property in the calendar year
8 immediately preceding the particular calendar year.

9 STEP THREE: Divide the sum of the three (3) quotients
10 computed in STEP TWO by three (3). **under IC 6-12-4-4 for the**
11 **year.**

12 SECTION 49. IC 12-19-7-4, AS AMENDED BY P.L.234-2005,
13 SECTION 57, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
14 JANUARY 1, 2007]: Sec. 4. (a) ~~For taxes first due and payable in Each~~
15 ~~year after 2005~~, each county shall impose **a controlled taxes for the**
16 **county family and children property tax levy children's fund,**
17 **excluding any amount attributable for loans under this chapter or**
18 **IC 12-19-5**, equal to the county family and children property tax levy
19 necessary to pay the costs of the child services of the county for the
20 next fiscal year.

21 (b) The department of local government finance shall review each
22 county's property tax levy under this section and shall enforce the
23 requirements of this section with respect to that levy and comply with
24 ~~IC 6-1.1-17-3~~. **product of:**

25 (1) the controlled taxes certified for the county by the
26 department of local government finance for the family and
27 children's fund for the preceding year as that amount was
28 determined by the department of local government finance in
29 fixing the county's budget, taxes, and tax rates for that
30 preceding calendar year under, before 2007, IC 6-1.1-17 and
31 after 2006, IC 6-13 and after eliminating the effects of
32 temporary adjustments made to the certified amount for the
33 calendar year; multiplied by

34 (2) the greater of:

35 (A) the tax growth quotient for the ensuing calendar year
36 as determined under IC 6-12-4-4; or

37 (B) one (1).

38 SECTION 50. IC 12-19-7.5-6, AS AMENDED BY P.L.234-2005,
39 SECTION 69, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
40 JANUARY 1, 2007]: Sec. 6. (a) ~~For taxes first due and payable in Each~~
41 ~~year after 2005~~, each county shall impose **a county controlled taxes**
42 **for the children's psychiatric residential treatment services property tax**

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levy fund, excluding any amount attributable for loans under this chapter or IC 12-19-5, equal to the county children's psychiatric residential treatment services property tax levy necessary to pay the costs of children's psychiatric residential treatment services of the county for the next fiscal year.

(b) The department of local government finance shall review each county's property tax levy under this section and shall enforce the requirements of this section with respect to that levy.

the product of:

(1) the controlled taxes certified for the county by the department of local government finance for the children's psychiatric residential treatment services fund for the preceding year as that amount was determined by the department of local government finance in fixing the county's budget, taxes, and tax rates for that preceding calendar year under, before 2007, IC 6-1.1-17 and after 2006, IC 6-13 and after eliminating the effects of temporary adjustments made to the certified amount for the calendar year; multiplied by

(2) the greater of:

(A) the tax growth quotient for the ensuing calendar year as determined under IC 6-12-4-4; or

(B) one (1).

SECTION 51. IC 12-20-21-4, AS AMENDED BY P.L.73-2005, SECTION 96, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 4. **Subject to IC 12-20-23**, if the board of commissioners determines from the ~~levies made~~ **controlled taxes imposed** by the respective townships for township assistance purposes that there will be insufficient money in the township assistance fund to provide free and available money during the following year for township assistance purposes on the basis of the total costs of township assistance granted by the township trustees, as administrators of township assistance, for the previous twelve (12) months:

(1) the board of commissioners may include estimates for the advancements in the county general fund budget; **and**

(2) the county fiscal body may appropriate for the advancement in the budget and ~~levy to the extent that an increase in the county's tax will not exceed the county's controlled tax limit,~~ **impose controlled taxes** as adopted by the county fiscal body. ~~and~~

~~(3)~~ The department shall include that amount in the final **determination of the county general fund levy budget.**

SECTION 52. IC 12-20-25-4, AS AMENDED BY P.L.73-2005,



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SECTION 114, IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2007]: Sec. 4. As used in this chapter,
"distressed township" means:

(1) a township that:

(A) has a valid township assistance claim that the county auditor cannot pay within thirty (30) days after the claim is approved for payment under IC 12-2-1-31 (before its repeal) or IC 12-20-20;

(B) has township assistance expenditures during a year that exceed the year's township assistance revenues, excluding any advances from the state and revenues from short term loans from the county or a financial institution or advances from the county from the proceeds of bonds, made or issued under:

(i) this article; or

(ii) IC 12-2-1, IC 12-2-4.5, or IC 12-2-5 (before the repeal of those statutes);

(C) has imposed and dedicated to township assistance at least ninety percent (90%) of the maximum ~~permissible ad valorem property tax levy~~ **amount of controlled taxes** permitted for all of the township's money under ~~IC 6-1-1-18.5~~; **IC 6-12**; and

(D) has outstanding indebtedness that exceeds one and eight-tenths percent (1.8%) of the township's adjusted value of taxable property in the district as determined under IC 36-1-15; or

(2) a township that:

(A) has been a controlled township during any part of the preceding five (5) years;

(B) has a valid township assistance claim that the county auditor cannot pay within thirty (30) days after the claim is approved for payment under IC 12-2-1-31 (before its repeal) or IC 12-20-20; and

(C) uses advances from the county from proceeds of bonds issued under IC 12-2-1 (before its repeal) or this article.

SECTION 53. IC 12-29-2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. (a) A county shall fund the operation of community mental health centers in the amount determined under subsection (b), unless a lower tax levy amount will be adequate to fulfill the county's financial obligations under this chapter in any of the following situations:

(1) If the total population of the county is served by one (1) center.

(2) If the total population of the county is served by more than one

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(1) center.

(3) If the partial population of the county is served by one (1) center.

(4) If the partial population of the county is served by more than one (1) center.

(b) The amount of funding under subsection (a) for taxes first due and payable in a calendar year is the following:

(1) For 2004, the amount is the amount determined under STEP THREE of the following formula:

STEP ONE: Determine the amount that was levied within the county to comply with this section from property taxes first due and payable in 2002:

STEP TWO: Multiply the STEP ONE result by the county's assessed value growth quotient for the ensuing year 2003, as determined under IC 6-1.1-18.5-2:

STEP THREE: Multiply the STEP TWO result by the county's assessed value growth quotient for the ensuing year 2004, as determined under IC 6-1.1-18.5-2:

(2) For 2005 and each year thereafter, the result equal to:

(A) (1) the amount that was levied of controlled taxes imposed in the county to comply with this section from property taxes first due and payable in the calendar year immediately preceding the ensuing calendar year; multiplied by

(B) (2) the county's assessed tax value growth quotient for the ensuing calendar year, as determined under IC 6-1.1-18.5-2:

IC 6-12-4-4.

SECTION 54. IC 15-5-7-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 1. If a dog kills or injures any livestock while the livestock is in the care, custody, and control of the livestock's owner or his the owner's agent, the owner or harbinger of the dog is liable to the owner of the livestock for all damages sustained, including his reasonable attorney's fees and the court costs. if the appropriate dog tax has not been paid on the dog, triple damages may be awarded:

SECTION 55. IC 16-35-3-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) For taxes first due and payable in Each year after 2003, each county shall impose a controlled taxes for children with special health care needs property tax levy equal to the product of:

(1) the amount, excluding any amount attributable for loans under this chapter or IC 12-19-5, controlled taxes imposed for children with special health care needs property tax levy imposed

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for taxes first due and payable in the preceding year, as that levy amount was determined by the department of local government finance in fixing the ~~civil taxing unit's~~ county's budget, levy, taxes, and rate tax rates for that preceding calendar year under, before 2007, IC 6-1.1-17 and after 2006, IC 6-13 and after eliminating the effects of temporary excessive levy appeals and any other temporary adjustments made to the levy amount for the calendar year; multiplied by

(2) the greater of:

(A) the county's assessed value tax growth quotient for the ensuing calendar year, as determined under ~~IC 6-1.1-18.5-2;~~ IC 6-12-4-4; or

(B) one (1).

When a year in which a statewide general reassessment of real property first becomes effective is the year preceding the year that the property tax levy under this subsection will be first due and payable, the amount to be used in subdivision (2) equals the average of the amounts used in determining the two (2) most recent adjustments in the county's levy under this section. If the amount levied in a particular year exceeds the amount necessary to cover the costs payable from the fund, the levy in the following year shall be reduced by the amount of surplus money.

(b) The department of local government finance shall review each county's property tax levy under this section and shall enforce the requirements of this section with respect to that levy.

SECTION 56. IC 20-24-7-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 12. (a) Not later than the date on which the department of local government finance certifies a final action on budgets, taxes, and tax rates under IC 6-13, the department of local government finance shall provide to each county auditor the amount determined under section 3(c) of this chapter for each charter school attended by a student who has legal settlement in both the county and a school corporation located in the county.

(b) At the same time a county auditor distributes property taxes to a school corporation, the county auditor shall distribute to a charter school the amount described in subsection (a) for the charter school.

(c) A distribution of property taxes to a school corporation does not include an amount distributed under subsection (b).

(d) The department of education shall provide for the annual submission of reports before July 16 in each year from charter

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1 schools that provide reasonable estimates of the number of
 2 students that will be enrolled in the charter school in the current
 3 school year. The information shall be used to assist the department
 4 of local government finance in computing tax rates and tax
 5 amounts under IC 6-1.1-19-1.5. The department of education shall
 6 submit the information to the department of local government
 7 finance in the form and on the schedule required by the
 8 department of local government finance.

9 SECTION 57. IC 21-2-11.5-3, AS AMENDED BY P.L.246-2005,
 10 SECTION 187, IS AMENDED TO READ AS FOLLOWS
 11 [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) Subject to subsection
 12 (b), each school corporation may ~~levy~~ **impose controlled taxes** for the
 13 calendar year ~~a property tax~~ for the school transportation fund
 14 sufficient to pay all operating costs attributable to transportation that:

15 (1) are not paid from other revenues available to the fund as
 16 specified in section 4 of this chapter; and

17 (2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

18 (b) ~~For each year after 2003~~; The ~~levy amount of controlled taxes~~
 19 for the fund may not exceed

20 ~~(+)~~ the amount determined by multiplying:

21 (A) the ~~school corporation's levy for the school transportation~~
 22 ~~fund amount of controlled taxes certified by the~~
 23 ~~department of local government finance for the fund~~ for the
 24 previous year, as that ~~levy amount~~ was determined by the
 25 department of local government finance in fixing the ~~civil~~
 26 ~~taxing unit's school corporation's~~ budget, ~~levy~~, ~~taxes~~, and
 27 rate for that preceding calendar year, ~~before 2007~~, under
 28 IC 6-1.1-17 ~~and, after 2006, under IC 6-13~~ and after
 29 eliminating the effects of ~~temporary excessive levy appeals~~
 30 ~~and any other~~ temporary adjustments made to the ~~levy amount~~
 31 for the calendar year; by

32 (B) the ~~assessed value tax~~ growth quotient determined under
 33 subsection (c) ~~STEP FOUR~~; plus

34 (2) in 2006 and 2007; the amount determined under subsection
 35 (d):

36 (c) For purposes of subsection (b), the assessed value growth
 37 quotient is the amount determined under ~~STEP FOUR~~ of the following
 38 formula:

39 ~~STEP ONE~~: For each of the six (6) calendar years immediately
 40 preceding the year in which a budget is adopted under
 41 IC 6-1.1-17-5 or IC 6-1.1-17-5.6 for part or all of the ensuing
 42 calendar year; divide the Indiana nonfarm personal income for the

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calendar year by the Indiana nonfarm personal income for the calendar year immediately preceding that calendar year; rounding to the nearest one-thousandth (0.001).

STEP TWO: Determine the sum of the STEP ONE results.

STEP THREE: Divide the STEP TWO result by six (6); rounding to the nearest one-thousandth (0.001).

STEP FOUR: Determine the lesser of the following:

(A) The STEP THREE quotient;

(B) One and six-hundredths (1.06).

If the amount levied in a particular year exceeds the amount necessary to cover the costs payable from the fund; the levy in the following year shall be reduced by the amount of surplus money.

(d) As used in this subsection, "last state transportation distribution" means the total amount of state funding received by a school corporation for transportation costs:

(1) under IC 21-3-3.1-1 through IC 21-3-3.1-3; and

(2) for special education and vocational programs under IC 21-3-3.1-4;

after June 30, 2003; and before July 1, 2004;

multiplied by two (2). To the extent that the amount determined under subsection (b)(1) has not been adjusted to reflect the termination of state distributions for the school corporation's transportation fund; as determined by the department of local government finance; a school corporation may increase its school transportation fund levy for 2006 above the amount determined under subsection (b)(1) by fifty percent (50%) of the school corporation's last state transportation distribution; and the school corporation may increase its school transportation fund levy for 2007 above the amount determined under subsection (b)(1) by the remaining fifty percent (50%) of the school corporation's last state transportation distribution. The amount of the additional levy imposed in a year under this subsection shall be treated, for purposes of applying subsection (b)(1) in the following year, as part of the school corporation's levy for the school transportation fund for the previous year. **IC 6-12-4-4 for the ensuing year.**

(e) (c) Each school corporation may levy **impose controlled taxes** for the calendar year a tax for the school bus replacement fund in accordance with the school bus acquisition plan adopted under section 3.1 of this chapter.

(f) The tax rate and levy for each fund shall be established as a part of the annual budget for the calendar year in accord with IC 6-1.1-17.

SECTION 58. IC 21-2-22 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE

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JANUARY 1, 2007]:

Chapter 22. Racial Balance Fund

Sec. 1. This chapter applies to a school corporation that:

- (1) is located in Allen County or Marion County;
- (2) is a party to a lawsuit alleging that its schools are segregated in violation of the Constitution of the United States or federal law;
- (3) desires to improve or maintain racial balance among two (2) or more schools within the school corporation, regardless of the school corporation's basis for desiring to improve or maintain racial balance; and
- (4) has a minority student enrollment that comprises at least ten percent (10%) of its total student enrollment, using the most recent enrollment data available to the school corporation.

Sec. 2. As used in this chapter, "minority student" means a student who is black, Spanish American, Asian American, or American Indian.

Sec. 3. A school corporation may establish a racial balance fund if the department of local government finance:

- (1) approved a racial balance fund for the school corporation before January 1, 2007, under IC 6-1.1-19-10 (repealed); or
- (2) approves a racial balance fund under this chapter.

Sec. 4. The school corporation may petition the department of local government finance to impose an ad valorem property tax to raise revenue for the fund. However, before a school corporation may impose an ad valorem property tax under this chapter, the school corporation must file a petition with the department of local government finance. The petition must be filed before June 1 of the year preceding the first year the school corporation desires to impose the property tax and must include the following:

- (1) The name of the school corporation.
- (2) A settlement agreement among the parties to a desegregation lawsuit that includes the program that will improve or maintain racial balance in the school corporation.
- (3) The proposed property tax levy.
- (4) Any other item required by the department of local government finance.

Sec. 5. Upon receiving a petition under this chapter, the department of local government finance shall refer the petition to the local government tax control board. The local government tax control board shall consider the petition in the same manner as an

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1 appeal under IC 6-16. The local government tax control board may
 2 recommend to the department of local government finance that a
 3 school corporation be allowed to establish a racial balance fund to
 4 be funded by an ad valorem property tax levy. The amount of the
 5 levy shall be determined each year, and the levy may not exceed the
 6 lesser of the following:

7 (1) The revenue derived from a tax rate of eight and
 8 thirty-three hundredths cents (\$0.0833) for each one hundred
 9 dollars (\$100) of assessed valuation within the school
 10 corporation.

11 (2) The revenue derived from a tax rate equal to the
 12 difference between the maximum rate allowed for the school
 13 corporation's capital projects fund under IC 21-2-15 minus
 14 the actual capital projects fund rate that will be in effect for
 15 the school corporation for a particular year.

16 Sec. 6. The department of local government finance shall review
 17 the petition of the school corporation and:

18 (1) disapprove the petition if the petition does not comply with
 19 this chapter;

20 (2) approve the petition; or

21 (3) approve the petition with modifications.

22 Sec. 7. A property tax levy under this chapter is in addition to,
 23 and not part of, the school corporation's controlled tax limit and
 24 controlled levy limit for purposes of determining the school
 25 corporation's controlled tax limit and controlled levy limit.

26 Sec. 8. Money received from a property tax levy under this
 27 chapter shall be deposited in the school corporation's racial
 28 balance fund established under this chapter. Money in the fund
 29 may be used only for education programs that improve or
 30 maintain racial balance in the school corporation. Money in the
 31 fund may not be used for:

32 (1) transportation; or

33 (2) capital improvements;

34 even though those costs may be attributable to the school
 35 corporation's proposed programs for improving or maintaining
 36 racial balance in the school corporation.

37 SECTION 59. IC 21-3-1.7-9, AS AMENDED BY P.L.246-2005,
 38 SECTION 200, IS AMENDED TO READ AS FOLLOWS
 39 [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: Sec. 9. (a)
 40 Subject to the amount appropriated by the general assembly for tuition
 41 support, the amount that a school corporation is entitled to receive in
 42 tuition support for a year is the amount determined in section 8.2 of this

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chapter.

(b) If the total amount to be distributed as tuition support under this chapter, in 2005 for enrollment adjustment grants under section 9.5 of this chapter (before its repeal), for academic honors diploma awards under section 9.8 of this chapter, in 2005 for supplemental remediation grants under section 9.9 of this chapter (before its repeal), for primetime distributions under IC 21-1-30, for special education grants under IC 21-3-2.1, and for vocational education grants under IC 21-3-12 for a particular year, exceeds:

(1) three billion seven hundred fifty-nine million three hundred thousand dollars (\$3,759,300,000) in 2005;

(2) **the greater of:**

(A) three billion ~~seven~~ **eight** hundred ~~fifty-four~~ **two** million ~~seven~~ **nine** hundred thousand dollars (~~\$3,754,700,000~~) **(\$3,802,900,000)** in 2006; or

(B) **the amount necessary to enable the department of education to make tuition support distributions in 2006 in accordance with IC 21-1-30 and this article without requiring a reduction in the amount distributed for tuition support under this section; and**

(3) three billion seven hundred forty-seven million two hundred thousand dollars (\$3,747,200,000) in 2007;

the amount to be distributed for tuition support under this chapter to each school corporation during each of the last six (6) months of the year shall be proportionately reduced so that the total reductions equal the amount of the excess. The amount of the reduction for a particular school corporation is equal to the total amount of the excess multiplied by a fraction. The numerator of the fraction is the amount of the distribution for tuition support that the school corporation would have received if a reduction were not made under this section. The denominator of the fraction is the total amount that would be distributed for tuition support to all school corporations if a reduction were not made under this section. **However, the department of education shall distribute the full amount of tuition support to school corporations in the second six (6) months of 2006 in accordance with IC 21-1-30 and this article without a reduction under this section.**

SECTION 60. IC 27-5.1-2-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
Sec. 8. The following provisions apply to standard companies and extended companies:

(1) IC 27-1-3.

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- 1 (2) IC 27-1-3.1.
- 2 (3) IC 27-1-5-3.
- 3 (4) IC 27-1-7-14 through IC 27-1-7-16.
- 4 (5) IC 27-1-7-21 through IC 27-1-7-23.
- 5 (6) IC 27-1-9.
- 6 (7) IC 27-1-10.
- 7 (8) IC 27-1-13-3 through IC 27-1-13-4.
- 8 (9) IC 27-1-13-6 through IC 27-1-13-9.
- 9 (10) IC 27-1-15.6.
- 10 **(11) IC 27-1-18-2.**
- 11 ~~(11)~~ **(12)** IC 27-1-20-1.
- 12 ~~(12)~~ **(13)** IC 27-1-20-4.
- 13 ~~(13)~~ **(14)** IC 27-1-20-6.
- 14 ~~(14)~~ **(15)** IC 27-1-20-9 through IC 27-1-20-11.
- 15 ~~(15)~~ **(16)** IC 27-1-20-14.
- 16 ~~(16)~~ **(17)** IC 27-1-20-19 through IC 27-1-20-21.3.
- 17 ~~(17)~~ **(18)** IC 27-1-20-23.
- 18 ~~(18)~~ **(19)** IC 27-1-20-30.
- 19 ~~(19)~~ **(20)** IC 27-1-22.
- 20 ~~(20)~~ **(21)** IC 27-4-1.
- 21 ~~(21)~~ **(22)** Except as provided in IC 27-6-1.1-6, IC 27-6-1.1-2.
- 22 ~~(22)~~ **(23)** IC 27-6-2.
- 23 ~~(23)~~ **(24)** IC 27-7-2.
- 24 ~~(24)~~ **(25)** IC 27-9.
- 25 ~~(25)~~ **(26)** IC 34-30-17.
- 26 SECTION 61. IC 36-1-2-7, AS AMENDED BY P.L.227-2005,
- 27 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 28 JULY 1, 2006]: Sec. 7. "Fiscal officer" means:
- 29 (1) auditor, for a county not having a consolidated city;
- 30 (2) controller, for a:
- 31 (A) consolidated city;
- 32 (B) county having a consolidated city, except as otherwise
- 33 provided; or
- 34 (C) second class city;
- 35 (3) clerk-treasurer, for a third class city;
- 36 (4) clerk-treasurer, for a town; ~~or~~
- 37 (5) trustee, for a township;
- 38 **(6) the treasurer, for a school corporation; or**
- 39 **(7) the individual authorized as the fiscal officer by law or the**
- 40 **political subdivision's fiscal body, for any other political**
- 41 **subdivision.**
- 42 SECTION 62. IC 36-1-8-4 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 4. (a) The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

(1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.

(2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.

(3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.

(4) The amount transferred must be returned to the other fund at the end of the prescribed period.

(5) Only revenues derived from:

(A) the levying and collection of property taxes, **income taxes**, or special taxes; or ~~from~~

(B) operation of the political subdivision; may be included in the amount transferred.

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

(1) Passes an ordinance or a resolution that contains the following:

(A) A statement that the fiscal body has determined that an emergency exists.

(B) A brief description of the grounds for the emergency.

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

(2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance.

SECTION 63. IC 36-1-8-5, AS AMENDED BY P.L.73-2005, SECTION 171, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 5. (a) This section applies to all funds raised:

(1) by a general or special tax levy on all the taxable property of a political subdivision; or

(2) **from county income taxes.**

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(b) Whenever the purposes of a tax levy **or an allocation of county income tax** have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise:

(1) Funds of a county, to the ~~general fund~~ **or** rainy day fund of the county, as provided in section 5.1 of this chapter.

(2) Funds of a municipality, to the ~~general fund~~ **or** rainy day fund of the municipality, as provided in section 5.1 of this chapter.

(3) Funds of a township for redemption of township assistance obligations, to the township assistance fund of the township or rainy day fund of the township, as provided in section 5.1 of this chapter.

(4) Funds of any other political subdivision, to the ~~general fund~~ **or** rainy day fund of the political subdivision, as provided in section 5.1 of this chapter.

However, if the political subdivision is dissolved, ~~or does not have a general fund or rainy day fund~~, then to the ~~general~~ **rainy day** fund of each of the units located in the political subdivision in the same proportion that the assessed valuation of the unit bears to the total assessed valuation of the political subdivision.

(c) Whenever an unused and unencumbered balance remains in the civil township fund of a township and a current tax levy **or an allocation of county income tax** for the fund is not needed, the township fiscal body may order any part of the balance of that fund transferred to the debt service fund of the school corporation located in or partly in the township; but if more than one (1) school corporation is located in or partly in the township, then any sum transferred shall be transferred to the debt service fund of each of those school corporations in the same proportion that the part of the assessed valuation of the school corporation in the township bears to the total assessed valuation of the township.

(d) Transfers **under this section** to a political subdivision's rainy day fund must be made after the last day of the political subdivision's fiscal year and before March 1 of the subsequent calendar year.

SECTION 64. IC 36-1-8-5.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 5.1. (a) **The definitions in IC 6-11-1 apply throughout this section.**

(b) A political subdivision ~~may~~ **shall** establish a rainy day fund. ~~by the adoption of:~~

(c) **The fiscal body of a political subdivision may authorize use of money in the fund for any of the following purposes:**

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(1) To make a permanent transfer of money to another fund specified in an ordinance, in the case of a county, city, or town, or a resolution, in the case of any other political subdivision to replace revenue lost as the result of reducing property tax rates or income tax rates, or both, to eliminate fluctuations in the rates that would otherwise be imposed as a result of changes in economic activity in the county.

(2) To make a temporary transfer or loan of money under section 4 of this chapter to fund a shortfall resulting from:

(A) tax collections that are less than the amount of controlled taxes certified by the department of local government finance for collection in a year;

(B) incorrect data, computations, or advertisements; or

(C) refunds paid to taxpayers as the result of an appeal under IC 6-1.1 or IC 6-8.1 related to property taxes or income taxes.

(3) To make a temporary transfer or loan of money under section 4 of this chapter to provide a temporary source of funds to pay or fund a bond, judgment bond, lease, or other obligation when other revenues are insufficient to meet the payments required in a year.

(4) To make a temporary transfer or loan of money under section 4 of this chapter to fund an increase in the budget and controlled tax limit granted by the department of local government finance under IC 6-12 or IC 6-13.

(5) To make a temporary transfer or loan of money under section 4 of this chapter in anticipation of the collection of property taxes, income taxes, or other sources of revenue.

(6) To make a permanent transfer of money for any other purpose specified in (†) an ordinance, in the case of a county, city, or town, or (2) a resolution, in the case of any other political subdivision (including the purpose of replacing revenue lost from granting in the ordinance or resolution an additional property tax replacement credit that exceeds the credits granted under any other law) to the extent that the expenditure:

(A) is made from an amount that was deposited in the rainy day fund before January 1, 2007; or

(B) does not reduce the balance in the rainy day fund to less than six percent (6%) of the political subdivision's budget for the year immediately preceding the year of the expenditure.

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(b) (d) The fund consists of money deposited in the rainy day fund:

- (1) under subsection (e);
- (2) under section 5 of this chapter;
- (3) under IC 6-11-9-9; and
- (4) from money from any other source: an ordinance or a resolution adopted under this section must specify the following:

- (1) The purposes of the rainy day fund;
- (2) The sources of funding for the rainy day fund, which may include the following:

(A) Unused and unencumbered funds under:

- (i) section 5 of this chapter;
- (ii) IC 6-3.5-1.1-21.1;
- (iii) IC 6-3.5-6-17.3; or
- (iv) IC 6-3.5-7-17.3.

(B) any other funding source:

- (i) (A) specified in the ordinance or resolution adopted under this section; and
- (ii) (B) not otherwise prohibited by law.

(e) Upon adoption of an ordinance or resolution authorizing a transfer of money under subsection (c)(1) or (c)(6), the ordinance or resolution must be submitted to the county auditor and the department of local government finance. A transfer under subsection (c)(1) or (c)(6) that reduces a controlled tax or tax rate does not reduce the political subdivision's controlled tax limit or controlled levy limit.

(f) The expenditure of money transferred from a rainy day fund to another fund is subject to the same appropriation process as other funds that receive tax money.

(g) In any fiscal year, a political subdivision may transfer under section 5 of this chapter not more than ten percent (10%) of the political subdivision's total annual budget for that fiscal year, adopted under IC 6-1.1-17, IC 6-13, to the rainy day fund.

(h) A political subdivision may use only the funding sources specified in subsection (b)(2)(A) or in the ordinance or resolution establishing the rainy day fund. The political subdivision may adopt a subsequent ordinance or resolution authorizing the use of another funding source.

(i) The department of local government finance may not reduce the actual or maximum permissible levy of a political subdivision as a result of a balance in the rainy day fund of the political subdivision.

SECTION 65. IC 36-6-5-3 IS AMENDED TO READ AS

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1 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. The assessor
 2 shall perform the duties prescribed by statute, including
 3 ~~(1) assessment duties prescribed by IC 6-1.1. and~~
 4 ~~(2) administration of the dog tax and dog fund, as prescribed by~~
 5 ~~IC 15-5-9.~~

6 SECTION 66. IC 36-7-13-3.8 IS AMENDED TO READ AS
 7 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3.8. As used in
 8 this chapter, "state and local income taxes" means taxes imposed under
 9 any of the following:

- 10 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax).
- 11 (2) IC 6-3.5-1.1 (county adjusted gross income tax) **(repealed).**
- 12 (3) IC 6-3.5-6 (county option income tax) **(repealed).**
- 13 (4) IC 6-3.5-7 (county economic development income tax)
- 14 **(repealed).**

- 15 **(5) IC 6-11-8 (optional additional county income taxes).**

16 SECTION 67. IC 36-7-27-4 IS AMENDED TO READ AS
 17 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 4. (a) As used in
 18 this chapter, "county taxpayer" means an individual who:

- 19 (1) resides in the county; or
- 20 (2) **before 2007**, maintains the individual's principal place of
- 21 business or employment in the county and who does not reside in
- 22 another county in which the county option income tax, the county
- 23 adjusted income tax, or the county economic development income
- 24 tax is in effect **and, after 2006, maintains the individual's**
- 25 **principal place of business or employment in the county and**
- 26 **who is an out-of state resident (as defined in IC 6-11-1-10).**

27 (b) For purposes of this section, an individual shall be treated as a
 28 resident of the county in which the individual:

- 29 (1) maintains a home, if the individual maintains only one (1)
- 30 home in Indiana;
- 31 (2) if subdivision (1) does not apply, is registered to vote;
- 32 (3) if subdivision (1) or (2) does not apply, registers the
- 33 individual's personal automobile; or
- 34 (4) if subdivision (1), (2), or (3) does not apply, spends the
- 35 majority of the individual's time spent in Indiana during the
- 36 taxable year in question.

37 SECTION 68. IC 36-7-27-5 IS AMENDED TO READ AS
 38 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 5. As used in this
 39 chapter, "covered local income taxes" means the following income
 40 taxes imposed on county taxpayers:

- 41 (1) County option income tax **(repealed).**
- 42 (2) County economic development income tax **(repealed).**



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(3) Optional additional county income tax (IC 6-11-8).

SECTION 69. IC 36-7-31-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 6. As used in this chapter, "covered taxes" means the following:

(1) The state gross retail tax imposed under IC 6-2.5-2-1 or use tax imposed under IC 6-2.5-3-2.

(2) An adjusted gross income tax imposed under IC 6-3-2-1 on an individual.

(3) A county option income tax imposed under IC 6-3.5-6 **(repealed)**.

(4) A food and beverage tax imposed under IC 6-9.

(5) An optional additional county income tax under IC 6-11-8.

SECTION 70. IC 36-7-31.3-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 4. As used in this chapter, "covered taxes" means the part of the following taxes attributable to the operation of a facility designated as part of a tax area under section 8 of this chapter:

(1) The state gross retail tax imposed under IC 6-2.5-2-1 or use tax imposed under IC 6-2.5-3-2.

(2) An adjusted gross income tax imposed under IC 6-3-2-1 on an individual.

(3) A county option income tax imposed under IC 6-3.5 **(repealed)**.

(4) Except in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000), a food and beverage tax imposed under IC 6-9.

(5) An optional additional county income tax under IC 6-11-8.

SECTION 71. IC 36-7-32-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 8. As used in this chapter, "income tax base period amount" means the aggregate amount of the following taxes paid by employees employed in the territory comprising a certified technology park with respect to wages and salary earned for work in the certified technology park for the state fiscal year that precedes the date on which the certified technology park was designated under section 11 of this chapter:

(1) The adjusted gross income tax **(repealed)**.

(2) The county adjusted gross income tax **(repealed)**.

(3) The county option income tax **(repealed)**.

(4) The county economic development income tax **(repealed)**.

(5) The optional additional county income tax (IC 6-11-8).

After 2006, taxes imposed before 2007 under the taxes listed in subdivisions (1) through (4) shall be treated after 2006 as the base

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amount for taxes imposed under IC 6-11-8.

SECTION 72. IC 36-7-32-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 22. (a) The treasurer of state shall establish an incremental tax financing fund for each certified technology park designated under this chapter. The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for a certified technology park under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the certified technology park, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the certified technology park.

(2) The aggregate amount of the following taxes paid by employees employed in the certified technology park with respect to wages earned for work in the certified technology park, until the amount deposited equals the income tax incremental amount:

(A) The adjusted gross income tax.

(B) The county adjusted gross income tax.

(C) The county option income tax.

(D) The county economic development income tax.

(E) The optional additional county income tax (IC 6-11-8).

(c) Not more than a total of five million dollars (\$5,000,000) may be deposited in a particular incremental tax financing fund for a certified technology park over the life of the certified technology park.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a certified technology park shall be distributed to the redevelopment commission for deposit in the certified technology park fund established under section 23 of this chapter.

SECTION 73. IC 36-9-14.5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 6. (a) Except as provided in subsection (c), the county fiscal body may provide money for the cumulative capital development fund by levying a tax in compliance with ~~IC 6-1-1-41~~ **IC 6-15** on the taxable property in the county.

(b) The maximum property tax rate that may be imposed for property taxes first due and payable during a particular year in a county in which the county option income tax **(repealed)**, or the county adjusted gross income tax **(repealed)**, or an optional additional

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county income tax imposed under IC 6-11-8 is in effect on January 1 of that year, depends upon the number of years the county has previously imposed a tax under this chapter and is determined under the following table:

NUMBER OF YEARS	TAX RATE PER \$100 OF ASSESSED VALUATION
0	\$0.05
1 or more	\$0.10

(c) The maximum property tax rate that may be imposed for property taxes first due and payable during a particular year in a county in which ~~neither~~ the county option income tax ~~nor (repealed)~~, the county adjusted gross income tax ~~(repealed)~~, or **optional additional county income tax imposed under IC 6-11-8** is in effect on January 1 of that year, depends upon the number of years the county has previously imposed a tax under this chapter and is determined under the following table:

NUMBER OF YEARS	TAX RATE PER \$100 OF ASSESSED VALUATION
0	\$0.04
1 or more	\$0.07

SECTION 74. IC 36-12-1-14 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: **Sec. 14. An appointed library board subject to IC 6-11-10 shall submit its proposed operating budget and property tax levy for the operating budget to the following fiscal body:**

(1) If the library district is located entirely within the corporate boundaries of a municipality, the fiscal body of the municipality.

(2) If the library district:

(A) is not described by subdivision (1); and

(B) is located entirely within the boundaries of a township; the fiscal body of the township.

(3) If the library district is not described by subdivision (1) or (2), the fiscal body of each county in which the library district is located.

SECTION 75. THE FOLLOWING ARE REPEALED [EFFECTIVE JULY 1, 2006]: IC 6-1.1-17-1; IC 6-1.1-17-2; IC 6-1.1-17-3; IC 6-1.1-17-5; IC 6-1.1-17-5.6; IC 6-1.1-17-6; IC 6-1.1-17-7; IC 6-1.1-17-8; IC 6-1.1-17-9; IC 6-1.1-17-10; IC 6-1.1-17-11;



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1 IC 6-1.1-17-12; IC 6-1.1-17-13; IC 6-1.1-17-14; IC 6-1.1-17-15;
 2 IC 6-1.1-17-16; IC 6-1.1-17-16.5; IC 6-1.1-17-16.7; IC 6-1.1-17-17;
 3 IC 6-1.1-17-19; IC 6-1.1-17-20; IC 6-1.1-18; IC 6-1.1-18.5;
 4 IC 6-1.1-19-1.7; IC 6-1.1-19-2; IC 6-1.1-19-3; IC 6-1.1-19-4.1;
 5 IC 6-1.1-19-4.2; IC 6-1.1-19-4.4; IC 6-1.1-19-4.5; IC 6-1.1-19-4.6;
 6 IC 6-1.1-19-4.7; IC 6-1.1-19-4.9; IC 6-1.1-19-5.1; IC 6-1.1-19-5.3;
 7 IC 6-1.1-19-5.4; IC 6-1.1-19-6; IC 6-1.1-19-7; IC 6-1.1-19-8;
 8 IC 6-1.1-19-10; IC 6-1.1-19-10.5; IC 6-1.1-19-11; IC 6-1.1-19-12;
 9 IC 6-1.1-20; IC 6-1.1-29; IC 6-1.1-41; IC 12-13-8-4.

10 SECTION 76. THE FOLLOWING ARE REPEALED [EFFECTIVE
 11 JANUARY 1, 2007]: IC 15-5-9; IC 15-5-10.

12 SECTION 77. THE FOLLOWING ARE REPEALED [EFFECTIVE
 13 JANUARY 1, 2007]: IC 6-3.5-1.1; IC 6-3.5-2; IC 6-3.5-6; IC 6-3.5-7;
 14 IC 6-3.5-8.

15 SECTION 78. [EFFECTIVE JULY 1, 2006] **Any balance on**
 16 **December 31, 2006, and any amount collected for deposit after**
 17 **December 31, 2006, in a county's special account under**
 18 **IC 6-3.5-1.1, IC 6-3.5-6, or IC 6-3.5-7, all as repealed by this act,**
 19 **and remaining after:**

20 (1) making certified distributions under IC 6-3.5-1.1,
 21 IC 6-3.5-6, or IC 6-3.5-7 for 2006;

22 (2) paying any refunds to taxpayers for any overpayment of
 23 the county's county adjusted gross income tax, county option
 24 income tax, or county economic development tax; and

25 (3) recovering any overpayment by the state to the county of
 26 county adjusted gross income tax, county option income tax,
 27 or county economic development tax;

28 shall be distributed by the auditor of state to the county imposing
 29 the tax for deposit in the rainy day funds of the political
 30 subdivisions in the county according to the schedule and formula
 31 prescribed by the department of local government finance, after
 32 consultation with the department of state revenue. An amount
 33 deposited in a rainy day fund is available to pay or fund any bond,
 34 lease, or other obligation for which a political subdivision pledged
 35 county adjusted gross income tax, county option income tax, or
 36 county economic development tax before January 1, 2007.

37 SECTION 79. [EFFECTIVE UPON PASSAGE] (a) IC 6-11, as
 38 added by this act, applies only to taxable years beginning after
 39 December 31, 2006.

40 (b) IC 6-12, as added by this act, initially applies to taxes first
 41 due and payable in 2007.

42 (c) IC 6-13, as added by this act, applies only to budget years

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beginning after December 31, 2006.

(d) Notwithstanding IC 6-14, as added by this act, IC 6-1.1-20 (as effective June 30, 2006) and IC 6-1.1-18.5-8 (as effective June 30, 2006), or IC 6-1.1-19-8 (as effective June 30, 2006), as appropriate, and not IC 6-14, as added by this act, applies to petitions, remonstrances, and the review of debt service or lease rentals for a controlled project (as defined in IC 6-1.1-20-1.1 (before its repeal by this act)) if a notice for the debt service or lease rentals has been published under IC 6-1.1-20-3.1(2) (before its repeal by this act) before July 1, 2006. However, an action required by the school property tax control board shall be taken by the local government tax control board established under IC 6-13-3, as added by this act. Proceedings conducted under this subsection shall be treated as if they had been conducted under IC 6-14, as added by this act, for all purposes, including the issuance of obligations to refund an obligation subject to this subsection.

(e) Notwithstanding IC 6-14, as added by this act, a petition for approval of bond indebtedness, lease rentals, or bus purchase loans filed with the department of local government finance under IC 6-1.1-18.5-8 (as effective before July 1, 2006), IC 6-1.1-19-8 (as effective before July 1, 2006), or IC 6-1.1-20 (as effective before July 1, 2006), as appropriate, before July 1, 2006, shall be reviewed and approved after June 30, 2006, under IC 6-1.1-18.5-8 (as effective before July 1, 2006), IC 6-1.1-19-8 (as effective before July 1, 2006), or IC 6-1.1-20 (as effective before July 1, 2006), as appropriate. However, an action required by the school property tax control board shall be taken by the local government tax control board established under IC 6-13-3, as added by this act. Proceedings conducted under this subsection shall be treated as if they had been conducted under IC 6-14, as added by this act, for all purposes, including the issuance of obligations to refund an obligation subject to this subsection.

(f) Notwithstanding IC 6-14, as added by this act, a bonding bond or loan agreement that:

- (1) is entered into before July 1, 2006;
 - (2) pledges county adjusted gross income tax, county option income tax, or county economic development income tax; and
 - (3) was authorized and approved in conformity with the law in effect at the time the agreement was entered into;
- is valid to the same extent as if it had been authorized and approved in compliance with all the requirements in IC 6-14, as

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added by this act. Otherwise, IC 6-14, as added by this act, applies to a pledge of county adjusted gross income tax, county option income tax, or county economic development tax for the funding or payment of bonded indebtedness or lease rentals to the same extent as if it were a pledge of county income tax made under IC 6-11, as added by this act. Any other loan, lease agreement, or bonded indebtedness, or other obligation that was entered into by a political subdivision before July 1, 2006, in conformity with the law in effect at the time the agreement was entered into (including any requirement requiring approval or review by the state board of tax commissioners or the department of local government finance) shall be treated after June 30, 2006, as if it had been entered into under IC 6-14, as added by this act. Proceedings conducted under this subsection shall be treated as if they had been conducted under IC 6-14, as added by this act, for all purposes, including the issuance of obligations to refund an obligation subject to this subsection.

(g) An action that:

- (1) is taken by a political subdivision before July 1, 2006; and
- (2) complies with the requirements in IC 6-14, as added by this act;

shall be treated after June 30, 2006, as meeting the requirements of IC 6-14, as added by this act.

(h) IC 6-15, as added by this act, applies only to property taxes first due and payable after December 31, 2006. An action that:

- (1) is taken by a political subdivision before July 1, 2006; and
- (2) complies with the requirements of IC 6-15, as added by this act;

shall be treated after June 30, 2006, as meeting the requirements of IC 6-15, as added by this act.

(i) The department of local government finance may adopt temporary rules in the manner provided in IC 4-22-2-37.1 for the adoption of emergency rules to implement this act. A temporary rule adopted under this subsection expires on the earliest of the following:

- (1) The date specified in the temporary rule.
- (2) The date another temporary rule adopted under this subsection supersedes the temporary rule.
- (3) The date that a rule that supersedes the temporary rule is adopted under IC 4-22-2.
- (4) July 1, 2008.

SECTION 80. [EFFECTIVE JULY 1, 2006] (a) Subject to this

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SECTION, after June 30, 2006, to the extent that there is a substantially similar requirement or procedure enacted in this act, a reference in a law, rule, policy, form, contract, or other document to any part of:

(1) IC 6-1.1-17 that is repealed by this act or IC 6-1.1-18 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-13, as added by this act;

(2) IC 6-1.1-18.5 (repealed by this act) or IC 6-1.1-19 that is repealed by this act shall be treated as a reference to the appropriate requirements and procedures in IC 6-12, as added by this act;

(3) IC 6-1.1-20 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-14, as added by this act; and

(4) IC 6-1.1-41 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-15, as added by this act.

(b) Subject to this SECTION, after December 31, 2006, to the extent that there is a substantially similar requirement or procedure enacted in this act, a reference in a law, rule, policy, form, contract, or other document to any part of IC 6-3.5-1 (repealed), IC 6-3.5-1.1 (repealed by this act), IC 6-3.5-2 (repealed by this act), IC 6-3.5-6 (repealed by this act), IC 6-3.5-7 (repealed by this act), or IC 6-3.5-8 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-11.

(c) After June 30, 2006, to the extent that there is a substantially similar requirement or procedure enacted in this act, a reference in a law, rule, policy, form, contract, or other document to IC 6-1.1-17-16(e) (repealed by this act), IC 6-1.1-18.5-8 (repealed by this act), IC 6-1.1-19-4.2 (repealed by this act), IC 6-1.1-19-4.6 (repealed by this act), or IC 6-1.1-19-8 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-14, as added by this act.

(d) After June 30, 2006, to the extent that there is a substantially similar requirement or procedure enacted in this act, a reference in a law, rule, policy, form, contract, or other document to IC 6-1.1-17-16.7 (repealed by this act) or IC 6-1.1-18-12 (repealed by this act) shall be treated as a reference to the appropriate requirements and procedures in IC 6-13-16, as added by this act, and IC 6-15, as added by this act.

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(e) Each county board of tax adjustment is terminated on July 1, 2006. Political subdivision budgets, tax rates, and taxes for each year after 2006 shall be reviewed in conformity with IC 6-13, as added by this act. A reference in any law to the county board of tax adjustment does not have the effect of creating any procedure or requirement not included in IC 6-13, as added by this act.

(f) This act, including IC 6-12-3-4, as added by this act, does not increase the amount of debt that a political subdivision may incur under the Constitution of the State of Indiana or any law that limits debt to a percentage of the assessed value in the political subdivision.

(g) Any law that limits the amount of anticipation warrants that a political subdivision may issue or other short term borrowing that a political subdivision may make to a percentage of the levy imposed for a particular purpose or fund shall be treated after December 31, 2006, as a reference to the percentage of the levy and county income taxes raised for the particular purpose or fund.

(h) A reference in IC 12-13-8-5, IC 12-16-14-3, IC 12-19-7-4, IC 12-19-7.5-6, IC 12-29-2-2, IC 16-35-3-3, or IC 21-2-11.5-3, all as amended by this act, to controlled taxes imposed for 2006 shall be treated as a reference to taxes used to compute the affected political subdivision's 2006 controlled tax limit under IC 6-12-4, as added by this act.

SECTION 81. [EFFECTIVE UPON PASSAGE] (a) IC 6-11 through IC 6-15, all as added by this act, shall be liberally construed to effectuate the intent of the general assembly to:

- (1) provide county income taxes as an alternative source of revenue for tax increases traditionally raised through annual increases in property tax levies tied to the assessed value growth quotient;
- (2) establish general tax controls over controlled property taxes and the county income taxes used to replace controlled property taxes;
- (3) provide necessary funding to carry out the essential governmental functions of political subdivisions;
- (4) establish a rainy day fund in each political subdivision as the primary source of savings for political subdivisions to use during times of economic distress, to provide funds to temporarily fund shortfalls, and for cash flow needs;
- (5) provide for the continued funding and payment after June 30, 2006, of debt and lease rentals incurred by political subdivisions and allocation areas before July 1, 2006;

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(6) limit state distributions to replace revenue lost from the granting of property tax replacement credits and homestead credits;

(7) provide additional public and administrative review of debt and lease rental obligations; and

(8) grant the department of local government finance adequate authority to implement this act to carry out the intent of the general assembly.

(b) The repeal of a provision in IC 6-1.1 or IC 6-3.5 by this act shall not be construed to mean that the general assembly is rescinding any policy adopted in another act in the same session as this act. The department of local government finance shall administer IC 6-11 through IC 6-15, all as added by this act, in a manner that implements policies adopted in other acts that are not inconsistent with the policies adopted in IC 6-11 through IC 6-13, all as added by this act.

(c) Except with respect to limitations on the allocation factors that may be used to distribute income taxes under IC 6-11-8, as added by this act, and expansion of the purposes for which local income taxes may be used, it is the intent of the general assembly that political subdivisions:

(1) be authorized to raise under the controlled tax limits imposed by this act substantially similar revenue from controlled property taxes and controlled income taxes under IC 6-11-7, as added by this act, as the political subdivision could have raised if IC 6-11 through IC 6-13, all as added by this act, had not been enacted; and

(2) receive substantially similar distributions under IC 6-11-8, as added by this act, as the political subdivision could have received under the county adjusted gross income tax, county option income tax, and county economic development income tax.

(d) The legislative council shall provide for introduction of corrective legislation in the 2007 session of the general assembly to:

(1) bring any law in conflict with this act (including any law enacted in the 2006 session of the general assembly) into conformity with this act;

(2) make any technical change necessary or appropriate as the result of the passage of this act; and

(3) make any changes in IC 6-11 through IC 6-15, all as added by this act, or other related amendments in this act that are necessary to carry out the intent of the general assembly

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expressed in this SECTION.

(e) The department of local government finance is authorized to make the adjustments in taxes, tax rates, allocations, and distributions otherwise required by IC 6-11 through IC 6-13, all as added by this act, to carry out the intent of this SECTION in 2006 and 2007. In order to assist the general assembly with bringing the provisions of IC 6-11 through IC 6-13, all as added by this act, into conformity with the intent of the general assembly, the department of local government finance shall submit an initial report of its activities under this subsection before July 1, 2007, and a final report, before November 1, 2007, to the general assembly in an electronic format under IC 5-14-6 and to the governor. The department of local government finance may submit additional preliminary reports or recommendations as the department determines appropriate to assist the general assembly with carrying out subsection (d).

SECTION 82. [EFFECTIVE UPON PASSAGE] (a) Notwithstanding IC 6-1.1-20.6-6, as in effect January 1, 2006, a county may adopt an ordinance under this SECTION to apply the credit authorized by IC 6-1.1-20.6, as in effect January 1, 2006, to property taxes first due and payable in 2006.

(b) If a county has not issued property tax statements under IC 6-1.1-22-8 to the persons liable for property taxes in the county for property taxes first due and payable in 2006, the county fiscal body may adopt an ordinance to apply the credit under IC 6-1.1-20.6, as in effect January 1, 2006, to the property taxes first due and payable in 2006. A county fiscal body may not adopt an ordinance under this subsection after statements are issued under IC 6-1.1-22-8 for the property taxes first due and payable in 2006.

(c) Except as provided in subsection (a), IC 6-1.1-20.6, as in effect January 1, 2006, applies to a credit authorized by an ordinance adopted under this SECTION.

(d) This SECTION expires January 1, 2007.

SECTION 83. [EFFECTIVE JANUARY 1, 2007] (a) Notwithstanding the repeal of IC 15-5-9-10 by this act, if any money remains in the state dog account of the state general fund on December 31, 2006, the auditor of state shall, on January 1, 2007, abolish the account and distribute the money as follows:

(1) Fifty percent (50%) to Purdue University for the School of Veterinary Science and Medicine, to be used solely for canine disease research.

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(2) Fifty percent (50%) to the counties identified under subsection (b).

(b) Money to be distributed under subsection (a)(2) shall be divided among the counties that paid to the auditor of state, under IC 15-5-9-10(j) (before its repeal by this act), the surplus money remaining in the counties' county dog funds on May 1, 2006.

(c) Each county's share of the total amount distributed under this SECTION must be proportional to the county's share of the total amount paid to the auditor of state in 2006 under IC 15-5-9-10(j) (before its repeal by this act).

(d) On or before February 1, 2007, the county auditor of each county shall distribute to the township trustees of the townships located in the county:

- (1) money distributed to the county under subsection (b); and
- (2) any money remaining in the county dog fund.

An equal share of the money described in this subsection shall be distributed to each township trustee.

(e) A township trustee who receives a distribution under subsection (d) shall use the distribution:

- (1) to pay claims filed under IC 15-5-9-9.1 (before its repeal by this act);
- (2) to pay fees and charges under IC 15-5-9-10 (before its repeal by this act);
- (3) to provide funding for the humane society designated by the county legislative body under IC 15-5-9-8(d) (before its repeal by this act) to receive a part of each dog tax payment; or
- (4) if the county legislative body did not designate a humane society under IC 15-5-9-8(d) (before its repeal by this act), to provide funding for the township general fund.

(f) This SECTION expires January 1, 2008.

SECTION 84. [EFFECTIVE JULY 1, 2006] IC 6-1.1-45-9, as amended by this act, applies only to property taxes first due and payable after December 31, 2006.

SECTION 85. [EFFECTIVE UPON PASSAGE] (a) The general assembly finds that:

- (1) IC 6-3.5-1.1-2.8, as amended by this act, allows Jasper County to fund the operation and maintenance of a jail and juvenile detention center through the use of county option income tax revenues; and
- (2) allowing Jasper County to fund the operation and maintenance of a jail and juvenile detention center through

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the use of county option income tax revenues rather than the use of property taxes promotes the purpose of maintaining low property tax rates and is essential to economic development.

(b) These special circumstances require legislation particular to Jasper County.

SECTION 86. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "adopting entity" has the meaning set forth in IC 6-3.5-7-26.

(b) Notwithstanding IC 6-3.5-7-5, IC 6-3.5-7-6, and IC 6-3.5-7-26, an adopting entity may adopt or amend an ordinance under IC 6-3.5-7-26 in 2006 before June 1, 2006. A tax rate imposed in an ordinance adopted before June 1, 2006, applies to the adjusted gross income of county taxpayers on July 1, 2006.

SECTION 87. [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)] IC 27-5.1-2-8, as amended by this act, applies only to taxable years beginning after December 31, 2005.

SECTION 88. [EFFECTIVE JULY 1, 2006] (a) As used in this SECTION, "home energy" has the meaning set forth in IC 12-14-11-2.

(b) IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act, apply to transactions involving home energy that occur after June 30, 2006, and before July 1, 2007.

SECTION 89. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the department of state revenue established by IC 6-8.1-2-1.

(b) The department may adopt rules under IC 4-22-2 to implement IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act.

(c) The department shall adopt any rules under this SECTION to implement IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act, in the same manner as emergency rules are adopted under IC 4-22-2-37.1. Any rules adopted under this SECTION must be adopted not later than June 1, 2006. A rule adopted under this SECTION expires on the earlier of:

(1) the date a rule is adopted by the department under IC 4-22-2-24 through IC 4-22-2-36 to implement IC 6-2.5-4-5, as amended by this act, and IC 6-2.5-5-16.5, as added by this act; or

(2) July 1, 2007.

(d) This SECTION expires July 1, 2007.

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SECTION 90. [EFFECTIVE JULY 1, 2005 (RETROACTIVE)] (a) There is appropriated to the department of education the greater of the following from the state general fund for purposes of making the distributions for tuition support described in IC 21-3-1.7-9, beginning July 1, 2005, and ending June 30, 2006:

(1) Twenty million one hundred thousand dollars (\$20,100,000).

(2) An amount sufficient to enable the department of education to make tuition support distributions after December 31, 2005, and before July 1, 2006, in accordance with IC 21-1-30 and IC 21-3 without requiring a reduction in tuition support distributions to school corporations in the first six (6) months of 2006.

The amount appropriated under this SECTION is in addition to the amount appropriated by P.L.246-2005, SECTION 9 to the department of education for distribution for tuition support. The amount appropriated under this subsection shall be distributed in the same manner and on the same schedule as other distributions for tuition support subject to P.L.246-2005, SECTION 9.

(b) The deficiency appropriation made by this SECTION is not subject to transfer to any other fund or subject to transfer, assignment, or reassignment for any other use or purpose by:

(1) the state board of finance, notwithstanding IC 4-9.1-1-7, IC 4-13-2-23, or any other law; or

(2) the budget agency, notwithstanding IC 4-12-1-12 or any other law.

SECTION 91. [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)] IC 6-1.1-4-12, as amended by this act, applies only to assessment dates after December 31, 2005.

SECTION 92. [EFFECTIVE UPON PASSAGE] (a) The definitions in IC 6-1.1-12.1 apply throughout this SECTION.

(b) As used in this SECTION, "department" refers to the department of local government finance.

(c) As used in this SECTION, "taxpayer" means a person:

(1) who operates a grey iron foundry located in Grant County;

(2) who applied in 2001 for property tax deductions under IC 6-1.1-12.1 for new manufacturing equipment located in an economic revitalization area; and

(3) whose applications described in subdivision (2) were denied.

(d) References to the Indiana Code in this SECTION refer to the

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1 Indiana Code in effect on March 1, 2001, unless otherwise stated.

2 (e) Notwithstanding any other law, a taxpayer who complies
3 with the requirements of this SECTION is entitled to the property
4 tax deduction for new manufacturing equipment in the amounts
5 and for the number of years provided under IC 6-1.1-12.1-4.5, as
6 determined by the department under subsection (h).

7 (f) The taxpayer shall provide the department with copies of the
8 taxpayer's:

9 (1) statement of benefits; and

10 (2) applications for deductions from assessed value;
11 for new manufacturing equipment placed in service in an economic
12 revitalization area that the taxpayer filed in 2001.

13 (g) If there are any deficiencies in the taxpayer's filings
14 described in subsection (f), the department shall assist the taxpayer
15 in completing the information necessary to determine:

16 (1) the assessed value of the new manufacturing equipment;
17 and

18 (2) the number of years over which the taxpayer is entitled to
19 the deduction under this SECTION.

20 (h) The department shall determine:

21 (1) the amount of the assessed value of the new manufacturing
22 equipment;

23 (2) the number of years over which the taxpayer is entitled to
24 the deduction under this SECTION; and

25 (3) the percentages used to compute the taxpayer's
26 deductions;

27 in accordance with IC 6-1.1-12.1-4.5(d) and IC 6-1.1-12.1-4.5(e) as
28 if the taxpayer's applications for deductions had been approved in
29 2001.

30 (i) Notwithstanding IC 6-1.1-26 (as in effect on January 1, 2006),
31 when the department has completed the department's
32 determinations under subsection (h), the department shall issue an
33 order to the county auditor of the county in which the economic
34 revitalization area is located:

35 (1) describing the department's determinations under
36 subsection (h); and

37 (2) requiring the county auditor to accept the taxpayer's
38 refund claims as if the taxpayer's deduction applications had
39 been approved in 2001.

40 The department shall provide the taxpayer with a copy of the
41 order issued under this subsection.

42 (j) Notwithstanding IC 6-1.1-26 (as in effect January 1, 2006),

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the taxpayer may file refund claims for property taxes paid in previous years that are affected by the department's order issued under subsection (i). The taxpayer must attach a copy of the order issued under subsection (i) to the taxpayer's refund claim.

(k) Notwithstanding IC 6-1.1-26 (as in effect January 1, 2006), the county auditor shall pay the refund claims of the taxpayer filed under subsection (j) if the refund claims are fully consistent with the department's order issued under subsection (i).

SECTION 93. [EFFECTIVE UPON PASSAGE] (a) This SECTION applies to property that:

(1) is used for a fraternity for students attending Butler University;

(2) is owned by a nonprofit corporation that was, before the effective date of this SECTION, determined by the auditor of the county in which the property is located to be eligible to receive a property tax exemption under IC 6-1.1-10-16 or IC 6-1.1-10-24; and

(3) is not eligible for the property tax exemption under IC 6-1.1-10-16 or IC 6-1.1-10-24 for property taxes first due and payable in 2001, 2002, 2003, and 2004 because the nonprofit corporation failed to timely file an application under IC 6-1.1-11-3.5.

(b) Notwithstanding IC 6-1.1-11-1 and IC 6-1.1-11-3.5, the auditor of the county in which the property described in subsection (a) is located shall:

(1) waive the noncompliance with the timely filing requirement for the exemption application in question; and

(2) grant the appropriate exemption.

(c) A property tax exemption granted under this SECTION applies to:

(1) property taxes first due and payable in 2001;

(2) property taxes first due and payable in 2002;

(3) property taxes first due and payable in 2003; and

(4) property taxes first due and payable in 2004.

(d) This SECTION expires July 1, 2007.

SECTION 94. P.L.228-2005, SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: SECTION 35. (a) The definitions in IC 6-1.1-1 apply throughout this SECTION.

(b) As used in this SECTION, "taxpayer" means a nonprofit corporation that is an owner of land and improvements:

(1) that were:

(A) owned and occupied by the taxpayer during the period

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preceding the assessment date in 1999 and continuing through the date that this SECTION is effective; and

(B) used to prepare and create a soccer facility to provide youths with the opportunity to play supervised and organized soccer against other youths;

(2) for which the property tax liability imposed for property taxes first due and payable in 2000, 2001, 2002, 2003, and 2004 exceeded ~~thirty-three~~ **thirty** thousand dollars ~~(\$33,000)~~ **(\$30,000)**, in total, which has been paid by the taxpayer;

(3) that would have qualified for an exemption under IC 6-1.1-10 from property taxes first due and payable in 2000, 2001, 2002, 2003, and 2004 if the taxpayer had complied with the filing requirements for the exemption in a timely manner; and

(4) that have been granted an exemption under IC 6-1.1-10 from property taxes first due and payable in 2005.

(c) Land and improvements described in subsection (b) are exempt under IC 6-1.1-10-16 from property taxes first due and payable in 2003 and 2004, notwithstanding that the taxpayer failed to make a timely application for the exemption for those years.

(d) The taxpayer may file claims with the county auditor for a refund for the amounts paid toward property taxes on land and improvements described in subsection (b) that were billed to the taxpayer for property taxes first due and payable in 2003 and 2004. The claims must be filed as set forth in IC 6-1.1-26-1(1) through IC 6-1.1-26-1(3). The claims must present sufficient facts for the county auditor to determine whether the claimant is a person that meets the qualifications described in subsection (b) and the amount that should be refunded to the taxpayer.

(e) Upon receiving a claim filed under this SECTION, the county auditor shall determine whether the claim is correct. If the county auditor determines that the claim is correct, the county auditor shall submit the claim under IC 6-1.1-26-4 to the county board of commissioners for review. The only grounds for disallowing the claim under IC 6-1.1-26-4 are that the claimant is not a person that meets the qualifications described in subsection (b) or that the amount claimed is not the amount due to the taxpayer. If the claim is allowed, the county auditor shall, without an appropriation being required, issue a warrant to the claimant payable from the county general fund for the amount due the claimant under this SECTION. The amount of the refund must equal the amount of the claim allowed. Notwithstanding IC 6-1.1-26-5, no interest is payable on the refund.

(f) This SECTION shall be liberally construed in favor of the

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1 taxpayer to give effect to the purposes of this SECTION.

2 (f) (g) This SECTION expires December 31, 2007.

3 SECTION 95. [EFFECTIVE JANUARY 1, 2006
4 (RETROACTIVE)] (a) IC 6-1.1-12.1-1 and IC 6-1.1-40-4, both as
5 amended by this act, apply only to:

6 (1) new manufacturing equipment, new research and
7 development equipment, new logistical distribution
8 equipment, and new information technology equipment
9 installed and initially used in an economic revitalization area;
10 or

11 (2) new manufacturing equipment installed and initially used
12 in a maritime opportunity district;

13 after December 31, 2005.

14 (b) It is the intent of the general assembly that the amendment
15 of IC 6-1.1-12.1-1 and IC 6-1.1-40-4 by this act be interpreted to
16 expand the equipment that is eligible for a deduction under
17 IC 6-1.1-12.1 or IC 6-1.1-40 to include equipment that is ineligible
18 for a deduction under IC 6-1.1-12.1 or IC 6-1.1-40 solely because
19 the equipment was used in Indiana by a person other than a
20 deduction applicant (as defined in IC 6-1.1-12.1-1(15), as added by
21 this act) before being installed by the deduction applicant in an
22 economic revitalization area or a maritime opportunity district.

23 SECTION 96. [EFFECTIVE UPON PASSAGE] (a) As used in this
24 SECTION, "eligible district" means a fire protection district
25 established under IC 36-8-11:

26 (1) that expanded its territory after 1998; and

27 (2) for which the quotient expressed as a percentage of:

28 (A) the taxable assessed value of all tangible property in
29 the district for the assessment date (as defined in
30 IC 6-1.1-1-2) in 2004; divided by

31 (B) subject to subsection (b), the taxable assessed value of
32 all tangible property in the district for the assessment date
33 (as defined in IC 6-1.1-1-2) in 1999;

34 is at least one hundred fifty percent (150%).

35 (b) To account for the change in the definition of "assessed
36 value" reflected in IC 6-1.1-1-3(a)(1) and IC 6-1.1-1-3(a)(2), the
37 taxable assessed value to be used for purposes of subsection
38 (a)(2)(B) is the product of:

39 (1) the actual taxable assessed value; multiplied by

40 (2) three (3).

41 (c) An eligible district may, before September 20, 2006, appeal
42 to the department of local government finance for relief from the

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levy limitations imposed by IC 6-1.1-18.5 for property taxes first due and payable in 2007. In the appeal the district must:

(1) state that it will be unable to carry out the governmental functions committed to it by law unless the appeal is approved; and

(2) present evidence that it is an eligible district.

(d) The maximum increase in an eligible district's levy allowed under this SECTION is four hundred twenty-five thousand dollars (\$425,000).

(e) The department of local government finance shall process the appeal in the same manner that the department processes appeals under IC 6-1.1-18.5-12.

(f) For purposes of computing an eligible district's ad valorem property tax levy for taxes first due and payable in 2008, the district's maximum permissible ad valorem property tax levy for property taxes first due and payable in 2007 under STEP ONE of IC 6-1.1-18.5-3(a) or STEP ONE of IC 6-1.1-18.5-3(b) includes the amount of any increase in the district's levy approved under this SECTION for property taxes first due and payable in 2007.

(g) This SECTION expires January 1, 2009.

SECTION 97. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "taxable year" has the meaning set forth in IC 6-3-1-16.

(b) IC 6-3-2-20, as added by this act, applies only to taxable years beginning after June 30, 2006.

(c) The addition of IC 6-3-2-20, as added by this act, does not affect the legitimacy or illegitimacy of deductions claimed by taxpayers for taxable years beginning before July 1, 2006. Any determination of:

(1) the department of state revenue; or

(2) a court reviewing a department of state revenue determination;

of the legitimacy or illegitimacy of deductions claimed by taxpayers for taxable years beginning before July 1, 2006, shall be made without regard to IC 6-3-2-20, as added by this act.

(d) The department of state revenue may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-3-2-20, as added by this act, and IC 6-3.1-1-3.5, as amended by this act. A temporary rule adopted under this SECTION expires on the earliest of the following:

(1) The date a rule is adopted by the department of state revenue under IC 4-22-2 that repeals, amends, or supersedes

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the temporary rule.

(2) The date another temporary rule is adopted under this SECTION that repeals, amends, or supersedes a previously adopted temporary rule.

(3) The date specified in the temporary rule.

(4) July 1, 2007.

SECTION 98. [EFFECTIVE UPON PASSAGE] The department of state revenue may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-2.3-1-3.5, IC 6-2.3-3-11, and IC 6-2.3-5.5, all as added by this act. A temporary rule adopted under this SECTION expires on the earliest of the following:

(1) The date a rule is adopted by the department of state revenue under IC 4-22-2 that repeals, amends, or supersedes the temporary rule.

(2) The date another temporary rule is adopted under this SECTION that repeals, amends, or supersedes a previously adopted temporary rule.

(3) The date specified in the temporary rule.

(4) July 1, 2007.

SECTION 99. [EFFECTIVE JANUARY 1, 2007] IC 6-3-2-2, as amended by this act, applies to taxable years beginning after December 31, 2006.

SECTION 100. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1001, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana code concerning local government.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to HB 1001 as introduced.)

ESPICH, Chair

Committee Vote: yeas 15, nays 0.

HOUSE MOTION

Mr. Speaker: I move that House Bill 1001 be amended to read as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 3-10-9-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 3. If a local public question must be certified to an election board by law, that certification must occur no later than noon:

(1) sixty (60) days before a primary election if the public question is to be placed on the primary or municipal primary election ballot; ~~or~~

(2) August 1 if the public question is to be placed on the general or municipal election ballot; ~~or~~

(3) except as otherwise provided by law, sixty (60) days before a special election if the public question is to be placed on a special election ballot."

Page 3, delete lines 10 through 42.

Delete pages 4 through 5.

Page 6, delete lines 1 through 5.

Page 68, delete lines 26 through 42, begin a new paragraph and

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insert:

"SECTION 82. IC 6-1.1-17-3, AS AMENDED BY P.L.234-2005, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) **Before August 10 of a calendar year**, the proper officers of a political subdivision shall formulate its estimated budget and its proposed tax rate and tax levy on the form prescribed by the department of local government finance and approved by the state board of accounts. The political subdivision shall give notice by publication to taxpayers of:

- (1) the estimated budget;
- (2) the estimated maximum permissible levy;
- (3) the current and proposed tax levies of each fund; and
- (4) the amounts of excessive levy appeals to be requested.

In the notice, the political subdivision shall also state the time and place at which a public hearing will be held on these items. The notice shall be published twice in accordance with IC 5-3-1 with the first publication at least ten (10) days before the date fixed for the public hearing.

(b) Before August 10 of a calendar year, the county auditor shall mail to the last known address of each person liable for any property taxes, as shown on the tax duplicate, or to the last known address of the most recent owner shown in the transfer book, a statement that includes:

- (1) the assessed valuation as of the assessment date in the current calendar year of tangible property on which the person will be liable for property taxes first due and payable in the immediately succeeding calendar year and notice to the person of the opportunity to appeal the assessed valuation under IC 6-1.1-15-1(b);**
- (2) the amount of property taxes for which the person will be liable to each political subdivision on the tangible property for taxes first due and payable in the immediately succeeding calendar year, taking into account all factors that affect that liability, including:**
 - (A) the estimated budget and proposed tax rate and tax levy formulated by the political subdivision under subsection (a);**
 - (B) any deductions or exemptions that apply to the assessed valuation of the tangible property;**
 - (C) any credits that apply in the determination of the tax liability; and**
 - (D) the county auditor's best estimate of the effects on the**

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tax liability that might result from actions of the county board of tax adjustment or the department of local government finance;

(3) a prominently displayed notation that:

(A) the estimate under subdivision (2) is based on the best information available at the time the statement is mailed; and

(B) based on various factors, including potential actions by the county board of tax adjustment or the department of local government finance, it is possible that the tax liability as finally determined will differ substantially from the estimate;

(4) comparative information showing the amount of property taxes for which the person is liable to each political subdivision on the tangible property for taxes first due and payable in the current year; and

(5) the date, time, and place at which the political subdivision will hold a public hearing on the political subdivision's estimated budget and proposed tax rate and tax levy as required under subsection (a).

(c) The department of local government finance shall:

(1) prescribe a form for; and

(2) provide assistance to county auditors in preparing; statements under subsection (b).

~~(b)~~ **(d)** The board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal) may conduct the public hearing required under subsection (a):

(1) in any county of the solid waste management district; and

(2) in accordance with the annual notice of meetings published under IC 13-21-5-2.

~~(c)~~ **(e)** The trustee of each township in the county shall estimate the amount necessary to meet the cost of township assistance in the township for the ensuing calendar year. The township board shall adopt with the township budget a tax rate sufficient to meet the estimated cost of township assistance. The taxes collected as a result of the tax rate adopted under this subsection are credited to the township assistance fund.

~~(d)~~ A county shall adopt with the county budget and the department of local government finance shall certify under section 16 of this chapter a tax rate sufficient to raise the levy necessary to pay the following:

~~(1)~~ The cost of child services (as defined in IC 12-19-7-1) of the

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county payable from the family and children's fund:

(2) The cost of children's psychiatric residential treatment services (as defined in IC 12-19-7.5-1) of the county payable from the children's psychiatric residential treatment services fund:

A budget, tax rate, or tax levy adopted by a county fiscal body or approved or modified by a county board of tax adjustment that is less than the levy necessary to pay the costs described in subdivision (1) or (2) shall not be treated as a final budget, tax rate, or tax levy under section 11 of this chapter.

(f) Mailing the statement described in subsection (b) to a mortgagee maintaining an escrow account for a person who is liable for any property taxes shall not be construed as compliance with subsection (b).".

Delete page 69.

Page 70, delete lines 1 through 35.

Page 75, line 24, after "in" insert ":

(A)".

Page 75, line 24, after "repeal)" insert ";

Page 75, line 24, strike "or".

Page 75, line 25, before "IC 6-1.1-20-3.1" begin a new line double block indented and insert:

"(B)".

Page 75, line 25, after "6-1.1-20-3.2" delete "." and insert "(in the case of a controlled project costing:

- (i) less than two percent (2%) of the total assessed value of all taxable property in the political subdivision;
- (ii) more than two million dollars (\$2,000,000); and
- (iii) less than fifty million dollars (\$50,000,000)); or
- (C) IC 6-1.1-20-3.5 through IC 6-1.1-20-3.6 (in the case of a controlled project costing at least:

- (i) two percent (2%) of the total assessed value of all taxable property in the political subdivision; or
- (ii) fifty million dollars (\$50,000,000)).".

Page 79, between lines 33 and 34, begin a new paragraph and insert:

"SECTION 92. IC 6-1.1-20-1.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1.1. As used in this chapter, "controlled project" means any project financed by bonds or a lease, except for the following:

- (1) A project for which the political subdivision reasonably expects to pay:
 - (A) debt service; or
 - (B) lease rentals;



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from funds other than property taxes that are exempt from the levy limitations of IC 6-1.1-18.5 or IC 6-1.1-19. A project is not a controlled project even though the political subdivision has pledged to levy property taxes to pay the debt service or lease rentals if those other funds are insufficient.

(2) A project that will ~~not~~ cost the political subdivision ~~more~~ less than:

(A) two million dollars (\$2,000,000); and

(B) **two percent (2%) of the total assessed value of all taxable property in the political subdivision.**

(3) A project that is being refinanced for the purpose of providing gross or net present value savings to taxpayers.

(4) A project for which bonds were issued or leases were entered into before January 1, 1996, or where the state board of tax commissioners has approved the issuance of bonds or the execution of leases before January 1, 1996.

(5) A project that is required by a court order holding that a federal law mandates the project."

Page 79, line 37, delete "subdivision less than ten million dollars (\$10,000,000)." and insert "**subdivision:**

(1) **less than two percent (2%) of the total assessed value of all taxable property in the political subdivision;**

(2) **more than two million dollars (\$2,000,000); and**

(3) **less than fifty million dollars (\$50,000,000)."**

Page 84, delete lines 24 through 28, begin a new line block indented and insert:

"(1) **that will cost a political subdivision at least:**

(A) **two percent (2%) of the total assessed value of all taxable property in the political subdivision; or**

(B) **fifty million dollars (\$50,000,000); and**

(2) **for which the proper officers of the political subdivision make a preliminary determination to issue bonds or enter into a lease after June 30, 2006."**

Page 87, line 20, delete "at the" and insert "at:

(1) **the next election in which all voters of the political subdivision are entitled to vote; or**

(2) **if a request for a special election is made in:**

(A) **a petition filed under section 3.5 of this chapter in the form required by IC 3-10-9-6; or**

(B) **a resolution of the political subdivision that states the day of the election for which the political subdivision seek the placement of the question on the ballot and is filed with**

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the county election board in conformity with IC 3-10-9-3; for a year in which an election in which all of the voters of the political subdivision are entitled to vote is not otherwise regularly scheduled, a special election held on the date ordered by the county election board.

The county election board shall pay the costs of a special election. A political subdivision shall reimburse the county election board from money in the political subdivision's general fund that is not otherwise appropriated, without appropriation, if a special election occurs under this section."

Page 86, delete lines 21 through 22.

Page 106, line 25, after "which" insert "deferred".

Page 106, line 26, delete "are deferred" and insert "become due".

Page 136, line 34, delete "first" and insert "March 1, 2005, or January 15, 2006,".

Page 136, line 34, delete "after" and insert ", whichever is applicable,".

Page 136, line 35, delete "January 15, 2001,".

Page 136, line 35, delete "lesser of the" and insert "homestead property tax liability for the March 1, 2005, or January 1, 2006, assessment date, whichever is applicable.".

Page 136, delete lines 36 through 41.

Page 155, line 35, delete "division" and insert "department of child services".

Page 156, line 12, delete "or" and insert ";".

Page 156, line 13, delete "the division;".

Page 156, line 15, delete "or" and insert ".".

Page 156, delete line 16.

Page 156, line 32, delete "or division".

Page 168, line 27, delete "board less than ten million dollars" and insert "board:

(A) less than two percent (2%) of the total assessed value of all taxable property in the political subdivision;

(B) more than two million dollars (\$2,000,000); and

(C) less than fifty million dollars (\$50,000,000)); or

(2) vote on the proposed issuance in an election on a local public question (in the case of a preliminary determination made after June 30, 2006, to issue bonds for a project costing the board at least:

(A) two percent (2%) of the total assessed value of all taxable property in the political subdivision; or

(B) fifty million dollars (\$50,000,000))."

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Page 168, delete lines 28 through 32.

Page 169, delete lines 9 through 42.

Delete pages 170 through 171.

Page 172, delete lines 1 through 34.

Page 183, line 39, delete "corporation less than ten million dollars" and insert "**corporation:**

(i) less than two percent (2%) of the total assessed value of all taxable property in the political subdivision;

(ii) more than two million dollars (\$2,000,000); and

(iii) less than fifty million dollars (\$50,000,000)); or

(B) an election on the local public question (in the case of a preliminary determination made after June 30, 2006, to enter into a lease costing the school corporation at least:

(i) two percent (2%) of the total assessed value of all taxable property in the political subdivision; or

(ii) fifty million dollars (\$50,000,000)); and".

Page 183, delete lines 40 through 42.

Page 184, delete lines 1 and 2.

Page 238, delete lines 6 through 42.

Page 239, delete lines 1 through 26.

Page 254, delete lines 4 through 27.

Page 260, delete lines 12 through 19, begin a new line block indented and insert:

"(1) IC 8-22-3.5-10

(2) IC 36-7-14-39

(3) IC 36-7-14-39.5

(4) IC 36-7-15.1-26.5

(5) IC 36-7-15.1-35

(6) IC 36-7-15.1-56

(7) IC 36-7-30-25

(8) IC 36-7-30-27

(9) IC 36-7-30.5-30

(10) IC 36-7-30.5-32

(11) IC 36-7-32-18.".

Page 261, between lines 15 and 16, begin a new paragraph and insert:

"(c) IC 6-1.1-20-3.1 and IC 6-1.1-30-3.2, as effective June 30, 2006, and not IC 6-1.1-30-3.5 and IC 6-1.1-20-3.6, both as added by this act, apply to a controlled project (as defined in IC 6-1.1-20-1.1, as effective June 30, 2006) for which a notice of the preliminary determination of the political subdivision to issue bonds or enter into a lease is published under IC 6-1.1-20-3.1 before July 1, 2006.".

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Renumber all SECTIONS consecutively.

(Reference is to HB 1001 as printed January 18, 2006.)

ESPICH

HOUSE MOTION

Mr. Speaker: I move that House Bill 1001 be amended to read as follows:

Page 7, between lines 36 and 37, begin a new paragraph and insert;
 "SECTION 9. IC 6-1.1-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. **(a) Before January 1, 2009**, except as otherwise provided by law, all tangible property which is within the jurisdiction of this state on the assessment date of a year is subject to assessment and taxation for that year.

(b) Except as provided in subsection (c), a taxing unit may not impose an ad valorem:

- (1) property tax levy; or**
- (2) property tax rate;**

for property taxes first due and payable after December 31, 2008.

(c) To avoid a default on a requirement:

- (1) in a lease, bond, note, warrant, evidence of indebtedness, or other written obligation that restricts the source of revenue from which a payment may be made to ad valorem property taxes; and**
- (2) that became legally binding on a:**

(A) taxing unit; or

(B) governing body (as defined in IC 6-1.1-21.2-6) of an allocation area (as defined in IC 6-1.1-21.2-3);

before April 1, 2006, the department of local government finance, in an appeal conducted under IC 6-1.1-18.5 or IC 6-1.1-19, as appropriate, shall authorize a taxing unit to impose an ad valorem property tax. The property tax levy and tax rate imposed in any year under this subsection may not exceed the amount necessary to avoid a default on the pledge to make payments solely from ad valorem property taxes.

(d) The legislative council shall provide for the introduction of corrective legislation to bring Indiana laws into conformity with this section."

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Renumber all SECTIONS consecutively.

(Reference is to HB 1001 as printed January 18, 2006.)

DOBIS

HOUSE MOTION

Mr. Speaker: I move that House Bill 1001 be amended to read as follows:

Page 27, line 39, after "IC 6-1.1-46" delete "." and insert "**or IC 6-1.1-47.**".

Page 28, line 13, after "IC 6-1.1-46" insert "**or IC 6-1.1-47.**".

Page 32, line 11, after "IC 6-1.1-46" insert "**or IC 6-1.1-47.**".

Page 32, line 12, delete "." and insert "**under IC 6-1.1-46.**".

Page 104, line 24, after "IC 6-1.1-46" delete "." and insert "**and IC 6-1.1-47.**".

Page 104, line 28, delete ";" and insert "**and IC 6-1.1-47;**".

Page 104, line 30, after "IC 6-1.1-46" insert "**and IC 6-1.1-47.**".

Page 104, line 37, delete ";" and insert "**under IC 6-1.1-46;**".

Page 105, line 10, after "IC 6-1.1-46," insert "**IC 6-1.1-47,**".

Page 105, line 33, after "IC 6-1.1-46" insert "**or IC 6-1.1-47.**".

Page 106, line 25, delete "," and insert "**or IC 6-1.1-47,**".

Page 106, line 25, after "which" insert "**deferred.**".

Page 106, line 26, delete "are deferred" and insert "**become due.**".

Page 106, line 26, after "IC 6-1.1-46" delete "." and insert "**or IC 6-1.1-47.**".

Page 108, line 2, after "IC 6-1.1-46" insert "**and IC 6-1.1-47.**".

Page 108, line 6, delete "and" and insert ",".

Page 108, line 6, after "IC 6-1.1-46," insert "**and IC 6-1.1-47,**".

Page 109, line 24, after "IC 6-1.1-46" insert "**and IC 6-1.1-47.**".

Page 109, line 31, delete "and" and insert ",".

Page 109, line 31, after "IC 6-1.1-46," insert "**and IC 6-1.1-47,**".

Page 133, line 24, after "Chapter 46." insert "**Senior, Blind, and Disabled.**".

Page 141, between lines 9 and 10, begin a new paragraph and insert:
"SECTION 138. IC 6-1.1-47 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 47. Reassessment Payment Deferral Program

Sec. 1. As used in this chapter, "base amount" means the

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amount of homestead property tax liability that is not subject to deferral, as determined under this chapter.

Sec. 2. As used in this chapter, "defer" means to delay the due date on which property taxes would otherwise be first due and payable.

Sec. 3. As used in this chapter, "homestead" has the meaning set forth in IC 6-1.1-20.9-1.

Sec. 4. As used in this chapter, "homestead property tax liability" refers to a liability for property taxes:

- (1) that are assessed on tangible property that is a homestead; and
- (2) that would be first due and payable in a certain year if the property taxes were not deferred under this chapter.

The term refers to a property tax liability after the application of all deductions and credits for which the homestead is eligible.

Sec. 5. (a) As used in this chapter, "property taxes" refers to ad valorem property taxes.

(b) The term does not include the following:

- (1) Special assessments.
- (2) Fees or charges that are included by law on a tax statement issued under IC 6-1.1-22-8 or IC 6-1.1-22.5.

Sec. 6. As used in this chapter, "qualified individual" means an individual who meets all the following criteria:

- (1) Has a qualified interest in a homestead on the assessment date for which homestead property tax liability is imposed.
- (2) Uses the homestead in which the individual has a qualified interest as the individual's principal place of residence.
- (3) Either:
 - (A) is not delinquent in the payment of:
 - (i) any property taxes that are not deferred under this chapter, special assessments, or fees or charges that are included by law on a tax statement issued under IC 6-1.1-22-8 or IC 6-1.1-22.5 or a statement in another state; or
 - (ii) penalties or interest imposed for property taxes, special assessments, or fees or charges, including any deferred property taxes; or
 - (B) has been granted a waiver from the requirements of this subdivision by the county auditor in the county where the homestead is located.

Sec. 7. As used in this chapter, "qualified interest" means the following:

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- (1) An ownership interest in a homestead.
- (2) A beneficial interest in an entity that has an ownership interest in a homestead or a contract interest described in subdivision (3).
- (3) An interest in a contract for the purchase of a homestead that:
 - (A) is recorded in the county recorder's office; and
 - (B) provides that a person purchasing the homestead is to pay the property taxes on the homestead.

Sec. 8. As used in this chapter, "qualified taxpayer" means a qualified individual or an entity in which a qualified individual has a beneficial interest, or both, that was liable for the property taxes on a homestead:

- (1) on both the current assessment date and the immediately preceding assessment date; and
- (2) in a county that has a property tax deferral program in effect for a particular year in which property taxes are first due and payable.

Sec. 9. As used in this chapter, "property tax increase resulting from general reassessment or annual adjustment" refers to the amount determined under section 14 of this chapter.

Sec. 10. A county fiscal body may adopt an ordinance, in the form prescribed by the department of local government finance, to establish a property tax deferral program under this chapter. To apply to property taxes first due and payable in the immediately succeeding year, the ordinance must be adopted before September 1 of the year that immediately precedes the year to which the ordinance applies. The county fiscal body must certify an ordinance under this section, including any ordinance amending or repealing a previously adopted ordinance, to the following:

- (1) The county auditor.
- (2) The department of local government finance.
- (3) The fiscal officer of each taxing unit in the county.

Sec. 11. A qualified taxpayer may defer a due date for a part, as determined under this chapter, of the qualified taxpayer's homestead property tax liability first due and payable in the:

- (1) first year in which a general reassessment becomes the basis for determining property tax liability, if the qualified taxpayer's property tax increase resulting from general reassessment or annual adjustment was at least one hundred seventy-five percent (175%);
- (2) second year in which a general reassessment becomes the

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basis for determining property tax liability, if the qualified taxpayer's property tax increase resulting from general reassessment or annual adjustment was at least two hundred fifty percent (250%); and

(3) third year in which a general reassessment becomes the basis for determining property tax liability, if the qualified taxpayer's property tax increase resulting from general reassessment or annual adjustment was at least three hundred twenty-five percent (325%).

Sec. 12. Property taxes deferred under this chapter are due and payable in equal installments on May 10 and November 10 of each year beginning in the fourth year in which a general reassessment becomes the basis for determining property tax liability year until the full amount deferred for the year is paid. An amount deferred in a year is payable in six (6) installments. However, if a deferral termination event occurs, the full amount deferred under this chapter becomes due thirty (30) days after a termination event for the homestead occurs.

Sec. 13. (a) Subject to subsections (b), (c), and (d), a deferral termination event occurs on the earliest of the following dates:

(1) The first date on which none of the qualified individuals who had a qualified interest in the homestead when the property taxes were deferred:

(A) use the homestead as their principal place of residence; or

(B) have a qualified interest in the homestead.

(2) The first date on which the mortgages and liens of record on the homestead exceed the assessed value of the homestead.

(3) The date on which a person with an ownership interest in the homestead files for bankruptcy or the homestead property is placed in receivership.

(b) For purposes of subsection (a), an individual shall be treated as using a homestead as the individual's principal place of residence if the individual:

(1) is absent from the homestead while in a health care facility (as defined in IC 16-18-2-161 or IC 16-28-13-0.5); and

(2) used the homestead as the individual's principal place of residence immediately before being admitted to a health care facility (as defined in IC 16-18-2-161 or IC 16-28-13-0.5).

(c) The estate of a deceased individual shall be treated as having the same rights the deceased individual had immediately before the individual died to do the following:

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(1) Defer taxes that would otherwise be due and payable in the year the individual died.

(2) Continue to defer taxes that were deferred before the individual died.

(d) This subsection applies only to a surviving spouse who was not a qualified individual on the date on which property taxes were deferred. If a deceased individual was a qualified individual on the date on which property taxes were deferred, the deceased individual's surviving spouse shall be treated after the individual's death as if the surviving spouse had been a qualified individual on the date on which property taxes were deferred if:

(1) the homestead was the surviving spouse's principal place of residence when the individual died;

(2) the surviving spouse has a qualifying interest in the homestead not later than the later of:

(A) the date of the individual's death; or

(B) the date on which the estate of the deceased individual transfers any part of the ownership of the homestead from the estate; and

(3) the surviving spouse:

(A) is unmarried; or

(B) marries only after the surviving spouse becomes:

(i) at least sixty-five (65) years of age;

(ii) blind; or

(iii) a disabled person.

Sec. 14. The maximum amount that may be deferred in a year under this chapter is equal to the least of the following:

(1) Subject to section 15 of this chapter, the result of:

(A) the amount by which:

(i) the qualified taxpayer's homestead property tax liability in the first year in which a general reassessment or an annual adjustment under IC 6-1.1-4-4.5 became the basis for determining the qualified taxpayer's homestead property tax liability; exceeds

(ii) one hundred and seventy-five percent (175%) of the qualified taxpayer's homestead property tax liability for the year immediately preceding the year in which a general reassessment or an annual adjustment under IC 6-1.1-4-4.5 became the basis for determining the qualified taxpayer's homestead property tax liability; multiplied by

(B) the deferral percentage permitted under this chapter.

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- (2) The qualified taxpayer's homestead property tax liability for the current year.

Sec. 15. In determining the maximum permissible deferral amount under section 14(1) of this chapter, the part of the qualified taxpayer's homestead property tax liability that is attributable to physical improvements in a homestead that were first assessed in the first year in which a general reassessment became the basis for determining the qualified taxpayer's homestead property tax liability shall not be considered.

Sec. 16. The qualified taxpayer's deferral percentage is:

- (1) seventy-five percent (75%) in the first year in which a general reassessment becomes the basis for determining property tax liability;
- (2) fifty percent (50%) in the second year in which a general reassessment becomes the basis for determining property tax liability;
- (3) twenty-five percent (25%) in the third year in which a general reassessment becomes the basis for determining property tax liability; and
- (4) zero percent (0%) in any other year.

Sec. 17. To qualify for a deferral of homestead property tax liability in any year under this chapter, a qualified taxpayer must apply for the deferral:

- (1) on the form, in the manner, and with the information prescribed by the department of local government finance; and
- (2) before the date on which the installment being deferred is first due and payable.

The department of local government finance may provide forms allowing a qualified taxpayer to elect to defer property taxes for more than one (1) year. If the department of local government permits a multiyear election, the department of local government finance shall provide for the filing of amended forms whenever any of the information in a previously filed form ceases to be accurate or complete.

Sec. 18. An application for a deferral under this chapter must be filed with the county auditor in the county where the homestead is located. Upon the filing of an application, the county auditor shall immediately:

- (1) notify the county treasurer and transmit the information that the county treasurer needs to match the application with county treasurer's records related to the homestead; and

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(2) review the application to determine:

- (A) whether the applicant qualifies for a deferral; and
- (B) the amount that may be deferred.

Sec. 19. The filing of an application waives any interest and penalties that would otherwise be imposed for the nonpayment of property taxes by the due date only to the extent that the county auditor approves the application for the amount of the unpaid property taxes.

Sec. 20. If the applicant is qualified under this chapter for a deferral, the county auditor shall:

- (1) approve the deferral in the lesser of:
 - (A) the amount requested by the applicant; or
 - (B) the maximum amount that may be deferred in the year;
- (2) provide for the recording of the deferral in the office of the county recorder on the form and in the manner prescribed by the department of local government finance; and
- (3) notify the county treasurer and the department of local government finance of the amount deferred on the form and in the manner prescribed by the department of local government finance.

Sec. 21. Deferred property taxes may be paid at any time on or before the delayed due date established by this chapter without interest and penalties. Payment of deferred property taxes after the delayed due date established by this chapter shall be collected in the same manner as delinquent property taxes. If a payment of deferred property taxes is made, the county treasurer shall notify the county auditor, the county recorder, and the department of local government finance on the form and in the manner prescribed by the department of local government finance. Notice to the county recorder must be in the form of a release of the lien on the homestead for the deferred property taxes.

Sec. 22. Whenever an individual who is a qualified individual on an assessment date for which property taxes were deferred:

- (1) ceases to use the homestead as the individual's principal place of residence;
- (2) ceases to have a qualified interest in the homestead; or
- (3) changes the individual's qualified interest in the homestead;

or a surviving spouse becomes a qualified individual, a person responsible for paying the property taxes on the homestead shall notify the county auditor in the county where the homestead is

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located on the form and in the manner prescribed by the department of local government finance. The county auditor shall review the information filed under this section to determine whether a deferral termination event has occurred.

Sec. 23. If, as the result of the filing of information with the county auditor or on the county auditor's own motion, the county auditor determines that a deferral termination event has occurred, the county auditor shall notify the county treasurer, the county recorder, and the department of local government on the form and in the manner prescribed by the department of local government finance.

Sec. 24. A county auditor shall give written notice of each determination under this chapter to the qualified taxpayers and mortgage holders of record for the affected homestead. A qualified taxpayer may appeal an adverse determination under this chapter to the Indiana board not later than forty-five (45) days after notice of the determination.

Sec. 25. The county recorder shall record the following without charge in the miscellaneous records of the county recorder:

- (1) A statement of the amount of property tax deferred under this chapter imposed on the deferred property taxes.
- (2) A statement of payment of deferred property taxes.
- (3) A notice of termination of a deferral.

Sec. 26. (a) Except:

- (1) as required by federal law or regulation;
- (2) if the loan from the lender:
 - (A) is made, guaranteed, or insured by a federal government lending or insuring agency; and
 - (B) requires the borrower to make payments to a lender with respect to an escrow or other type of account; or
- (3) if the application of this section would impair the obligations of a borrower under an agreement executed before April 15, 2006;

a lender may not require a borrower to maintain an escrow or other type of account with regard to taxes for which the borrower has elected to defer taxes under this chapter.

(b) Notice of a tax deferral in the records of the county recorder shall be treated as notice of a tax deferral to a lender.

(c) Any payments that are made by the borrower to an escrow or other type of account with regard to property taxes and that:

- (1) were submitted before the time of submission of evidence of tax deferral, for any period; and

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(2) have not been used in payment or partial payment of taxes;
must be refunded to the borrower within thirty (30) days after the deferral is approved and filed with the county recorder."

Page 261, line 18, after "IC 6-1.1-46" delete "," and insert "**and IC 6-1.1-47, both**".

Page 261, line 18, delete "applies" and insert "**apply**".

Renumber all SECTIONS consecutively.

(Reference is to HB 1001 as printed January 18, 2006.)

ORENTLICHER

HOUSE MOTION

Mr. Speaker: I move that House Bill 1001 be amended to read as follows:

Page 129, between lines 6 and 7, begin a new paragraph and insert:
"SECTION 132. IC 6-1.1-37-14 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 14. (a) As used in this section, "department" refers to the department of local government finance.**

(b) The county treasurer of each county may establish an amnesty program for taxpayers liable for delinquent property taxes that were first due and payable before January 1, 2007. For purposes of this subsection, property taxes are considered delinquent if a penalty applies to the property taxes under section 10 of this chapter. The time in which a voluntary payment of tax liability may be made under the amnesty program is limited to the period determined by the county treasurer, not to exceed eight (8) regular business weeks:

- (1) beginning after June 30, 2006; and**
- (2) ending before the earlier of:**
 - (A) the date set by the county treasurer; or**
 - (B) January 1, 2007.**

(c) The amnesty program must provide that:

- (1) a taxpayer liable for delinquent property taxes on real property is eligible for the abatement of penalties imposed under section 10 of this chapter, collection fees, and costs before the end of the period for redemption of the property from tax sale under IC 6-1.1-25-4; and**



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(2) upon payment by a taxpayer to the county treasurer of all delinquent property taxes due from the taxpayer with respect to all tangible property in the county on which the taxpayer is liable for property taxes, and compliance with all other amnesty conditions adopted under a rule or policy of the department in effect on the date the voluntary payment is made, the county treasurer:

(A) shall abate and not seek to collect any penalties imposed under section 10 of this chapter, collection fees, or costs that would otherwise apply to the collection of the delinquent property taxes;

(B) shall release any liens imposed on the property for which the taxpayer is liable for property taxes; and

(C) shall not seek civil or criminal prosecution against any individual or entity with respect to the delinquent property taxes.

(d) The county treasurer shall publish under IC 5-3-1 a notice of the period determined by the county treasurer under subsection (b) for the application of this section.

(e) The county treasurer may abate delinquent property tax penalties imposed under section 10 of this chapter, collection fees, and costs to carry out the purposes of this section.

(f) Amnesty granted under this subsection is binding on the state, the county, and political subdivisions in the county. However, failure to pay to the county treasurer all delinquent property taxes due invalidates any amnesty granted under this subsection.

(g) The department shall conduct an assessment of the impact of the property tax amnesty program on tax collections and an analysis of the costs of administering the property tax amnesty program. As soon as practicable after December 31, 2006, the department shall submit a copy of the assessment and analysis to the legislative council in an electronic format under IC 5-14-6. County treasurers shall submit the information required by the department to conduct the assessment and analysis required under this subsection.

(h) The department may adopt emergency rules under IC 4-22-2-37.1 to implement this section. An emergency rule

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described in this subsection expires not later than one (1) year after it is adopted."

Renumber all SECTIONS consecutively.

(Reference is to HB 1001 as printed January 18, 2006.)

DOBIS

SENATE MOTION

Madam President: I move that Senator Hume be added as coauthor of Engrossed House Bill 1001.

KENLEY

COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred House Bill No. 1001, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete the title and insert the following:

A BILL FOR AN ACT concerning taxation and to make an appropriation.

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to HB 1001 as reprinted January 26, 2006.)

KENLEY, Chairperson

Committee Vote: Yeas 12, Nays 0.

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